

# Audit and Standards Committee

Date: Thursday 20 March 2025  
Time: 10.00 am  
Venue: Committee Room 2, Shire Hall

## Membership

Mr Martyn Burke (Chair)  
Councillor Jo Barker  
Councillor John Cooke  
Councillor Sarah Feeney  
Councillor Bill Gifford  
Councillor Bhagwant Singh Pandher  
Councillor Ian Shenton  
Mrs Sandy Shergill  
Mr Robert Zara

Items on the agenda:

1. **General**
  - (1) Apologies
  - (2) Disclosures of Pecuniary and Non-Pecuniary Interests
2. **CIPFA Financial Management Code - Warwickshire County Council Self-Assessment 2024/25** 5 - 16
3. **Warwickshire County Council – Annual Refresh of Accounting Policies 2024/25** 17 - 40
4. **Amendments to the Contract Standing Orders** 41 - 88
5. **Internal Audit Plan 2025/26** 89 - 122
6. **Work Programme and Future Meeting Dates** 123 - 128  
To review the Committee's Work Programme and note the arrangements for future meetings.

Meetings will start at 10am, unless specified otherwise. The following meetings are scheduled to be held at Shire Hall, Warwick:

- 5 June 2025
- 17 July 2025
- 11 September 2025
- 25 November 2025 (2pm)
- 19 March 2026

- 7. Minutes of the Previous Meeting** 129 - 138  
To confirm the minutes of the meeting held on 28 November 2024.
- 8. Any Other Business**
- 9. Reports Containing Exempt or Confidential Information**  
To consider passing the following resolution:
- ‘That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972’.
- 10. Internal Audit Update Report** 139 - 304
- 11. Exempt Minutes of the Previous Meeting** 305 - 308  
To confirm the exempt minutes of the meeting held on 28 November 2024.

**Monica Fogarty**  
Chief Executive  
Warwickshire County Council  
Shire Hall, Warwick

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## Disclaimers

### Webcasting and permission to be Filmed

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### Disclosures of Pecuniary and Non-Pecuniary Interests

Members are required to register their disclosable pecuniary interests within 28 days of their election of appointment to the Council. Any changes to matters registered or new matters that require to be registered must be notified to the Monitoring Officer as soon as practicable after they arise.

A member attending a meeting where a matter arises in which they have a disclosable pecuniary interest must (unless they have a dispensation):

- Declare the interest if they have not already registered it.
- Not participate in any discussion or vote.
- Leave the meeting room until the matter has been dealt with.
- Give written notice of any unregistered interest to the Monitoring Officer within 28 days of the meeting.

Non-pecuniary interests relevant to the agenda should be declared at the commencement of the meeting.

The public reports referred to are available on the Warwickshire Web  
<https://democracy.warwickshire.gov.uk/uuCoverPage.aspx?bcr=1>

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## **Audit and Standards Committee**

**20 March 2025**

### **CIPFA Financial Management Code – Warwickshire County Council Self-Assessment 2024/25**

#### **Recommendations**

That the Audit and Standards Committee:

1. Notes the progress made on the delivery of the planned improvements in financial management during 2024/25; and
2. Considers and comments on the Council's assessment of its compliance with the CIPFA Financial Management Code and the improvements planned for 2025/26.

#### **1. Purpose of the Report**

- 1.1. In 2019, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued a Financial Management Code (the Code) designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. The Code is a series of financial management standards that set out the professional standards needed if the Council is to meet the minimum standards for financial management acceptable to taxpayers, customers and lenders. CIPFA's judgement is that compliance is obligatory if an Authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.
- 1.2. The Code requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management such that compliance with the Code will help strengthen the framework that surrounds financial decision making. The broad headings in the Code are:
  - responsibilities of the Chief Financial Officer and Leadership Team;
  - governance and financial management style;
  - medium to long-term financial management;
  - the annual budget;
  - stakeholder engagement and business plans;

- monitoring financial performance; and
  - external financial reporting.
- 1.3 The extent of compliance with the Code will be one of the factors considered by the external auditors in reaching their judgement on the value for money provided by the Council.
- 1.4 The Council's first self-assessment was considered by this Committee in June 2021 and an annual reassessment is undertaken thereafter; the latest reassessment was reported to the Committee in March 2024.
- 1.5 This report provides an update on the progress made on the delivery of the planned improvements during 2024/25 (**Appendix A**) and provides an updated self-assessment to reflect the changes made and the improvements planned for 2025/26 (**Appendix B**).
- 1.6 As in previous years, our assessment remains that the Council already meets the standards set out in the Code and therefore any developments are from an on-going process of continuous improvement. As part of this process, to contribute to maintaining compliance with the Code, more detail on the areas where the council has improvement plans in place is provided in **Appendix B**.
- 1.7 Our assessment against the Financial Management Code is a partner document to the External Auditor's Value for Money assessment, reported as part of the 2023/24 Annual Audit Letter to the Committee on 28 November 2024. The Auditor's assessment rated the Council as "green" in all three categories of financial sustainability, governance and improving economy, efficiency and effectiveness. Our self-assessment is consistent with these ratings given the evidence of positive action being taken proactively where opportunities to improve performance are identified.
- 1.8 The auditors were satisfied that the Council has appropriate arrangements in place to ensure it can deliver economy, efficiency and effectiveness. Nevertheless, it is important to note the context of an extremely challenging financial year, with an indicative material overspend forecast earlier in the year which led to the implementation of a Financial Recovery Strategy including spending controls to bring the position back under control.
- 1.9 Full Council recently approved the 2025-30 Medium-Term Financial Strategy and 2025/26 budget, which are balanced and address the causes of this position, but they require delivery of challenging savings and that demand-driven services work within their increased budgets at a time when demand continues to increase at a much faster rate than the Council's resources.

## 2. Financial Implications

2.1. There are no financial implications arising from this report.

## 3. Environmental Implications

3.1. There are no environmental implications arising from this report.

## 4. Background Papers

4.1. None.

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Elected Members have not been consulted in the preparation of this report.

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CIPFA Financial Management Standards – Self Assessment - Progress on 2024/25 Planned Developments

CIPFA Financial Management Standard	2024/25 Planned Developments	Commentary on Progress
<p>The leadership team is able to demonstrate that the services provided by the authority provide value for money</p>	<p>Develop and provide training on the new Procurement and Contract Management Strategy, to all staff involved in procurement and contract management.</p>	<p>Over the past year, staff members from Procurement, Contract Management and Legal Services (considered the 'Superusers') have attended a 3-day LGA deep dive procurement training course. Additionally, all staff have access to ten 1 hour e-learning modules on the Procurement Act.</p> <p>Council staff have also attended various training sessions led by CIPFA. The first was aimed at Senior Leadership through a New Procurement Act Briefing Session which explained impact of changes on Local Government Procurement. Followed by four training sessions of 'Implementing the Procurement Act' which supported procurement, finance, solicitors, project managers, auditors, and contract managers with day-to-day responsibilities for seeking tenders and managing suppliers. Finally sessions on Contract Management – Checking &amp; Improving Performance - supported practitioners to achieve best value from contracts and help drive future efficiency savings through better contract management. The event focused on helping secure the best commercial outcomes from existing contracts and future procurements.</p> <p>Additional sessions for legal, procurement and contract management were also provided on procurement act by external legal specialists to provide a further focus on the legislative requirements</p>
<p>The leadership team is able to demonstrate that the services provided by the authority provide value for money</p>	<p>Soft market testing to identify options for efficiencies and removal of manual processes in replacement of the Access projects (Mosaic, Synergy, Abacus etc)</p>	<p>Work on identifying options has included soft market testing undertaken for the new Enterprise Resource Planning (ERP) system, a detailed conversation is underway with provider to generate quotes, with value for money at the heart of these discussions. Also, a project due to start imminently to implement new social care systems, including looking at how we can maximise value of our investment in the care charging system by embracing process re-design and technological improvements</p>
<p>The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control</p>	<p>Further automation and process re-engineering/digital redesign and systems thinking (removing failure demand).</p>	<p>The Finance service remains committed to automation, and is currently exploring developing a Technology in Finance strategy. Finance staff are involved in the 'Co-Pilot' pilot to identify opportunities to implement and generate efficiencies. Separately workstreams are in place to improve workflows and generate smoother processes.</p>
<p>The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control</p>	<p>Implementation of Workforce Planning and Workforce Strategy</p>	<p>The approach to Strategic Workforce Planning has been implemented across the Council, working in partnership with the CIPD and WME (West Midlands Employers). Workforce Services have developed support and guidance to enable leaders to be accountable for developing their own strategic workforce plan for the next 3-5 years. The Head of Workforce Planning and Development is a member of the CIPFA workforce advisory panel to support the CIFA Local Government Finance Workforce Action Plan for England.</p> <p>Our People Strategy pulls together our priority areas for our workforce, which are centred around strategic workforce planning, reward and recognition, recruitment and retention, leadership and EDI and wellbeing. Following a redesign of workforce services, this key strategy will be refreshed in 2025.</p>

CIPFA Financial Management Standards – Self Assessment - Progress on 2024/25 Planned Developments

CIPFA Financial Management Standard	2024/25 Planned Developments	Commentary on Progress
<p>The financial management style of the authority supports financial sustainability</p>	<p>Embedding the new Risk Management framework</p>	<p>The Strategic Risk Management Framework was updated in 2023 and agreed by Cabinet in January 2024.</p> <p>In September 2024 responsibility for the risk management framework and associated reporting transferred to the Corporate Policy Unit. The move reflects an opportunity to strengthen the alignment between strategic foresight, risk management and strategy development.</p> <p>During September 2024 a revised approach has been developed which:</p> <ul style="list-style-type: none"> <li>- Creates a clearer 'aggregate view of risk at organisational and directorate level.</li> <li>- Places greater emphasis on ownership, analysis and oversight by each DLT and risk owners.</li> <li>- Creates an opportunity to address 'remedial action' ahead of reporting to Members.</li> <li>- Extends the current infrastructure in place for strategy to work for strategy and risk – standing DLT items, strategy &amp; risk network.</li> </ul> <p>During Q3 of 2024/25 a "Deep Dive" review of all risks was undertaken at both a strategic and directorate level. This resulted in a number of risks being closed as well as new risks being identified in line with Council Plan priorities.</p> <p>Strategic and Directorate Risk registers continue to be reviewed and updated at least quarterly by risk owners, control owners, leadership teams and Corporate Board, ahead of reporting to Members as part of the integrated performance reports to Cabinet (plus O&amp;S Committees). This ensures risks are controlled and mitigated.</p>
<p>The authority has carried out a credible and transparent financial resilience assessment</p>	<p>Implement monitoring of the WCC position against new OFLOG/MHCLG financial metrics as they evolve.</p>	<p>Monitoring of WCC's position against selected OFLOG metrics is included in the quarterly performance monitoring process and reporting. Comparison of WCC's position against OFLOG and MHCLG metrics compared to statistical neighbours is also undertaken ad-hoc throughout year and as part of annual budget setting within the benchmarking process.</p>

## Appendix A

## CIPFA Financial Management Standards – Self Assessment - Progress on 2024/25 Planned Developments

CIPFA Financial Management Standard	2024/25 Planned Developments	Commentary on Progress
The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	Improvement of data to support forecasting around high-risk services (particularly Mainstream Home to School Transport and SEND).	<p>Progress has been made to improve the quality of data used in the Home to School Transport forecasting model. This now takes account of forecast Education, Health and Care plans supplied by the Education service. The Transport Operations service is also implementing new route management software, which will provide more accurate data about contracts and routes, and will also support the accuracy of the forecasting process.</p> <p>With regard to SEND, there have been system improvements within Finance, which have in turn improved data quality and forecasting. There remains a need for the service to be able to provide better data, e.g. for post-16 places.</p> <p>As part of the 2025/26 budget setting process, the large demand driven services undertook a rephasing of their demand and cost pressures based on expected growth as informed by national and local data.</p>
The authority complies with the CIPFA “Prudential Code for Capital Finance in Local Authorities”	Increased internal reporting of WCC exposure to non-treasury lending (such as WPDG and WIF)	Exposure to non-treasury lending is reported as part of the mid-year and outturn Treasury Management reports to Cabinet. Non-treasury lending within the capital programme is also reported as part of quarterly financial monitoring reports to Cabinet. Exposure of WPDG specific lending is reported regularly to the WPDG Governance Group and WIF specific lending reported regularly to the WIF Investment Panel.
The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Improved links/consistency between strategic activity of the Commercial Delivery Group and its alignment with the MTFS process (such as WPDG, Traded Services, Fees & Charges Income)	<p>The Commercial Delivery Group (CDG) consistently considers the impact of its decisions and processes on the MTFS as well as reviewing and monitoring the contribution that commercial services make to the budget. When any commercial decisions are taken (e.g about starting new services or ceasing trading), the impact on the MTFS is an element that services have to consider when presenting proposals</p> <p>There is a significant representation from within Finance on CDG, including the s.151 officer, the Director of Finance and two other members of the Finance Management Team, to ensure the impact on the MTFS is reflected. CDG receives quarterly performance reports and the impact on the MTFS discussed and clarified if there are any negative variances.</p> <p>Closer links and processes have been developed to align the timescale for the setting of gross surplus targets for commercial services (for 2025/26) with the corporate budget setting/MTFS process. Timescales were aligned and information cross referenced throughout.</p>

CIPFA Financial Management Standards – Self Assessment - Progress on 2024/25 Planned Developments

CIPFA Financial Management Standard	2024/25 Planned Developments	Commentary on Progress
<p>The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p>	<p>Continuation of development of the suite of Power BI dashboards.</p>	<p>The organisation continues to benefit from an increasing breadth of both strategic and operational reporting via our suite of PowerBI dashboards. These take data from our core information systems, along with other sources, to provide near-live, automated reporting across many parts of the business.</p> <p>In the past year, there has been a particular focus on improved workforce dashboards (tracking headcount, absence, retention and other metrics), responding to new requirements in children's services as we progress with the DfE Pathfinder programme, and a new integrated reporting hub for the Fire &amp; Rescue Service, bringing a wide range of different reporting products into a single place. During the year 2024/25, dashboards delivered by the council's Business Intelligence service have been viewed an average of 11,000 times per month, up from 8,000 views per month in 2023/24.</p>
<p>The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p>	<p>Increased scrutiny of savings delivery and introduction of Budget Delivery Oversight Group</p>	<p>The Budget Delivery Oversight Group was established in early 2024/25 with agreed operating principles at its opening meeting in May 2024. The Group consists of Cabinet members plus several other members, and is supported by the s.151 officer, deputy s.151 officer and Strategic Finance team. Service Directors have been invited to present their services' financial position and performance on savings delivery, as well as presenting deep dives into the factors and drivers of budget pressures. Specific sessions have focused on Adult Social Care, Childrens Social Care, Education (including SEND) and Home to School Transport.</p>

Ref.	CIPFA Financial Management Standard	Current Status	2025/26 Planned Developments	Status
<b>1</b>	<b>Responsibilities of the CFO and Leadership Team</b>			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<ul style="list-style-type: none"> <li>The Council Plan sets out how we will use our resources to deliver on our core outcomes and priorities, supported by a Council Delivery Plan.</li> <li>Through our performance management framework, we monitor delivery of the Council Plan and the Council Delivery Plan.</li> <li>A suite of dashboards for monitoring and decision making provide a golden thread from Council to Service business plans, covering performance, finance, risk, and assurance.</li> <li>Benchmarking information is used to compare our service/financial performance to other authorities as part of the annual refresh of the Medium-Term Financial Strategy (MTFS).</li> <li>Where performance (either service or financial) is identified as an issue of concern reviews are instigated with a clear value for money focus.</li> <li>All Council strategies use a 'why, what, how' approach to ensure effectiveness is at their core.</li> <li>Investment decisions specifically consider the cost-benefit of projects, with an independent evaluation forming part of the decision-making process.</li> <li>These strands of activity are brought together and considered as part of an integrated approach to service and financial planning, driven by the Council Delivery Plan to cover policy, finance and performance.</li> <li>All reports to Member bodies, Corporate Board, and service management teams include a financial implications section that comments on the value for money of the decision.</li> <li>Where savings are required, Services are required to prioritise 'right-sizing' budgets and identifying efficiency improvements before considering service reductions.</li> <li>All tenders consider VFM by considering the quality of service and not just price and, in many cases, quality is given a higher weighting.</li> <li>We provide open access to our current contract information to demonstrate transparency to the public.</li> </ul>	Implement interface between Unit4 and InTend contract management software to allow greater visibility of contract spend, and compliance with the Procurement Act	GREEN
B	The Authority complies with the CIPFA "Statement of the Role of the CFO in Local Government"	<ul style="list-style-type: none"> <li>The Executive Director for Resources is the Authority's s151 officer. He is a member of the Council's Corporate Board, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest.</li> <li>The Director of Finance (Deputy s151 Officer) also attends Corporate Board.</li> <li>The Executive Director for Resources is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy.</li> <li>The Executive Director for Resources leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.</li> <li>The Director of Finance, reporting to the Executive Director for Resources, leads and directs a finance function that is resourced to be fit for purpose. Both are professionally qualified and suitably experienced.</li> <li>The five principles laid out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government are met.</li> </ul>		GREEN
<b>2</b>	<b>Governance and Financial Management Style</b>			
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	<ul style="list-style-type: none"> <li>The organisation has a set of core behaviours, which are demonstrated on a day-to-day basis by senior managers, to support the cultural change and transformation of the organisation.</li> <li>The behaviours are supported by our values; to be high performing, collaborative, customer focused, accountable, and trustworthy.</li> <li>The behaviours and values are integral to 1:1s and appraisal conversations and are key to the way we recruit and develop colleagues.</li> <li>We have arrangements to provide assurance that our behaviours are being upheld and that members and officers demonstrate high standards of conduct. These include:                             <ul style="list-style-type: none"> <li>o codes of conduct for officers and members (including gifts and hospitality, registering interests, anti-fraud, and whistleblowing); and</li> <li>o inclusion of ethical values in policies and procedures for all areas including procurement and partnership working.</li> </ul> </li> <li><a href="http://www.warwickshire.gov.uk/conduct">http://www.warwickshire.gov.uk/conduct</a></li> <li>Our Constitution sets out the framework to ensure that all officers, key post holders and Members can fulfil their responsibilities in accordance with legislative requirements so that we are efficient, transparent, accountable to our citizens and compliant with the law.</li> <li>We have documented governance arrangements for our wholly owned companies and the Warwickshire Investment Fund.</li> <li>The Director of Finance and Monitoring Officer both attend Corporate Board to ensure strong governance and oversight of decision-making.</li> <li>Directors complete an Assurance Statement at the end of each financial year which confirms the management of risk and internal controls in place during the year.</li> <li>Equality Impact Assessments are completed as part of implementing changes to policies, activities and services.</li> </ul>	Refreshing, improving and delivering the finance induction training programme for new members post 2025 local election	GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2025/26 Planned Developments	Status
D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	<ul style="list-style-type: none"> <li>The organization has approved and adopted a refreshed Code of Corporate Governance, consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016).</li> <li>The Annual Governance Statement explains how the Council has complied with its Code of Corporate Governance.</li> <li>Induction training is available to all Members and includes a focus on governance, the code of conduct and officer/member relations.</li> <li>The system of internal control is designed to manage risk to a reasonable level based on continuing processes designed to:                             <ul style="list-style-type: none"> <li>identify and prioritise the risks that could prevent us from achieving our policies, aims and objectives;</li> <li>assess how likely it is that the identified risks will happen, and what will be the result if they did; and</li> <li>manage the risks efficiently, effectively, and economically.</li> </ul> </li> </ul>		GREEN
E	The financial management style of the authority supports financial sustainability	<ul style="list-style-type: none"> <li>The Council's financial management style and approach to risk is a balance of stewardship and enabling, aligned to the hierarchy of financial management styles (delivering accountability, supporting performance &amp; enabling transformation) set out in the Code.</li> <li>The Council has a defined 'risk appetite' that is refreshed annually.</li> <li>The characteristics of the Council's financial management style are:                             <ul style="list-style-type: none"> <li>a consistent structure and approach to the delegation of financial responsibilities and authority;</li> <li>budget holder responsibility;</li> <li>financial management support aligned to service structure and documented through an agreed Service Offer;</li> <li>enabling ethos, supporting improvement of performance, development, and transformation, including a dedicated Projects Team within Finance;</li> <li>Finance representation on the Project Boards for all major projects; and</li> <li>Finance attendance at all Service Management Teams.</li> </ul> </li> <li>A comprehensive Finance Workforce and Training Strategy that includes a suite of finance training for managers to ensure all employees understand their joined up and collective responsibility for the sound and effective management of the Council's financial resources.</li> <li>Sustainability, strategic risk management and stewardship is directed through the s151 role and Resources Directorate.</li> <li>All reports to Member bodies and Corporate Board are required to include a financial implications section that is signed-off by a senior member of the Finance Service and a representative of the Finance Service attends all such meetings. This will highlight any financial sustainability concerns in relation to the decision being recommended.</li> <li>The respective Finance Manager attends Directorate Leadership Team meetings to ensure financial risks and implications are considered across the portfolio of agenda items.</li> <li>Processes ensure there is alignment of performance/service information with financial forecasting deadlines.</li> </ul>		GREEN
3	<b>Long to Medium-Term Financial Management</b>			
F	The authority has carried out a credible and transparent financial resilience assessment	<ul style="list-style-type: none"> <li>The budget resolutions include the s151 Assurance Statement on the robustness of reserves and estimates.</li> <li>A reserves strategy is approved as part of the suite of budget papers on an annual basis.</li> <li>The Executive Director for Resources undertakes and issues a detailed reserves risk assessment each year and sets out clearly the minimum level of reserves it is prudent for the Authority to hold.</li> <li>The MTFS includes an assessment of future resilience issues and level of reserves.</li> <li>The financial resilience of the Authority, including use of the CIPFA Financial Resilience Index is reviewed annually by the Executive Director for Resources and reported to Corporate Board and Members as part of their budget deliberations.</li> <li>Quarterly balance sheet modelling is undertaken including the impact of WIF and WPDG.</li> <li>A standalone annual assessment of the organisation's debt capacity is prepared and included as part of the Council's capital strategy.</li> </ul>	Pilot the development of a suite of Finance specific metrics within PowerBI	GREEN
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	<ul style="list-style-type: none"> <li>It is Council policy and practice to set a budget and MTFS that is balanced not only for the next financial year, but also over the medium term (5 years).</li> <li>The positioning of the budget report within the wider suite of consistent annual financial cycle reporting ensures that the understanding of sustainability is central to reporting throughout the financial year.</li> <li>An interactive financial planning model is used as part of the MTFS process allowing Councillors and senior officers to adjust the drivers of spend and resourcing to understand the impact on the annual budget and the 5-year MTFS. The model includes the flexibility to use reserves to support activity on a temporary basis but ensures the MTFS is balanced and sustainable.</li> <li>Budget reporting to Members includes a sensitivity analysis of the impact of changes in estimated inflation, taxbases, government grant, spending need, council tax levels and business rates.</li> <li>The Council's Strategic Risk Management Framework and Strategic Risk Appetite levels and statements in place with a full annual update and quarterly refresh.</li> </ul>		GREEN

## CIPFA Financial Management Standards – Self Assessment

## Appendix B

Ref.	CIPFA Financial Management Standard	Current Status	2025/26 Planned Developments	Status
H	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	<ul style="list-style-type: none"> <li>Capital, Treasury and Investment activities are managed in line with the Prudential Code for Capital Finance in Local Authorities, as well as associated statutory guidance (e.g. Investment Guidance; Minimum Revenue Provision Guidance; Treasury Management Guidance).</li> <li>Fundamental to this is the setting of prudential and commercial investment indicators in the Treasury Management and Investment Strategies agreed as part of the suite of budget reports.</li> <li>Mid-Year Review and Outturn reports of performance against both strategies are considered by Corporate Board, Cabinet and the Resources and Fire Overview and Scrutiny Committee.</li> <li>A quarterly review is undertaken to ensure internal consistency between the capital programme, the Treasury Management and Investment strategies and the balance sheet forecasts.</li> <li>Business case appraisal process for both WPDG and WIF includes the provision of evidence that demonstrates compliance with the Prudential Code as part of the financial implications of any proposed decision.</li> </ul>	Reviewing the need for and potential shape of an Investment Fund to replace the current Warwickshire Investment Fund from 2027/28 onwards	GREEN
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	<ul style="list-style-type: none"> <li>It is Council policy and practice to set a budget and MTFS that is balanced not only for the next financial year, but also over the medium term (5 years). The approved 2025/26 budget also met this criterion.</li> <li>The rolling 5-year MTFS demonstrates that the finances of the authority are allocated in accordance with the priorities of the organisation and that the underpinning finances remain robust and our service delivery sustainable.</li> <li>In setting the MTFS framework it is acknowledged by Council that if future spending needs exceed the indicative levels, further budget reductions will need to be identified and delivered to ensure the budget remains sustainable.</li> <li>An Integrated Planning approach to service and financial planning designed to further enhance the golden thread between the Council Plan, Council Delivery Plan, MTFS and service business plans.</li> <li>Medium-term financial planning is based on the concept of revenue and capital investment pipelines and a prioritisation process focused on the Council Delivery Plan.</li> </ul>	Utilise data and engagement to identify and deliver savings required for MTFS with sufficient lead time and appropriate methodology for capturing and agreeing savings with services	GREEN
<b>4 The Annual Budget</b>				
J	The authority complies with its statutory obligations in respect of the budget setting process	<ul style="list-style-type: none"> <li>The Council approves an annual balanced budget that enables the s151 officer to positively comment on the robustness of the estimates and the adequacy of the proposed financial reserves (s25 assurance statement).</li> <li>The supporting documentation meets the requirements to approve a capital strategy, the annual pay policy statement and the treasury management and investment strategies.</li> <li>Meeting dates are set to ensure compliance with statutory deadlines.</li> </ul>		GREEN
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	<ul style="list-style-type: none"> <li>A s25 assurance statement forms part of the budget resolution for each of the political groups. The commentary is specific to the content of the resolution.</li> <li>The s151 officer's s25 assurance statement includes commentary on the key risks to the deliverability of the budget. For the 2025/26 budget these include the Dedicated Schools Grants Deficits, Demand Growth Risk, Funding Risk, Workforce Risk, Delivery of the Planned Budget Reductions, Inflationary Risk, Affordability of the Capital Programme, Impact of National Policy Changes, and Impact on the Medium-Term Financial Strategy</li> </ul>		GREEN
<b>5 Stakeholder Engagement and Business Plans</b>				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan, and annual budget	<ul style="list-style-type: none"> <li>Consultation with stakeholders is undertaken as part of setting the annual budget and capital programme, including the statutory consultation with business ratepayers and consultation with the trade unions.</li> <li>Wider consultation with residents is embedded as part of the engagement around the organisation's priorities and objectives.</li> <li>Extensive stakeholder involvement is undertaken as part of the development and implementation of service changes and major projects, with the extent of consultation required approved by Legal Services.</li> <li>A corporate consultation and engagement framework and guidance provides overarching standards and best practice for all staff who undertake consultation and engagement activities and reflect current legislation around the "duty to inform, consult and involve" local communities and residents, and recognised best practice.</li> </ul>		GREEN
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions.	<ul style="list-style-type: none"> <li>For all revenue and capital projects requiring funding a proof-of-concept document is produced to assess alignment to the Council's strategic objectives and priorities and whether the investment is value for money and affordable. Approval adds a scheme to the 'live' revenue or capital investment pipeline.</li> <li>A standard business case is then prepared for all new capital and revenue investment proposals. This includes Director sign off confirming the scheme is a priority in contributing to the delivery of the corporate priorities and objectives, satisfaction with both the content of the bid and the rigour with which the business case has been compiled, and willingness to accept accountability for the delivery of the scheme benefits within the timeframe and cost envelope. Finance representatives review draft business cases to ensure financial implications are considered within the plans.</li> <li>All business cases are reviewed by an independent Panel including legal and finance representatives.</li> <li>The business case along with the evaluation then goes through a final approval process of Corporate Board and, where required, Elected Members at which point funding is approved.</li> <li>Investment business cases are required to identify measurable project benefits linked to solving the business problem.</li> <li>Post-project assurance of benefits realisation is required before projects can be closed.</li> <li>As part of our commissioning and procurement all tenders consider VFM by considering the quality of service and not just price.</li> </ul>		GREEN

Ref.	CIPFA Financial Management Standard	Current Status	2025/26 Planned Developments	Status
<b>6</b>	<b>Monitoring Financial Performance</b>			
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	<ul style="list-style-type: none"> <li>Financial reporting is consolidated covering revenue, capital, savings and balance sheet impacts. This enables the impact on reserves, the MTFS and future financial sustainability to be considered on a quarterly basis.</li> <li>Monthly financial reporting to Corporate Board enables a prompt and proactive response to emerging risks and for mitigating actions to be identified.</li> <li>Corporate Board receives quarterly reports on performance and risk that highlight areas of concern and any changes to our strategic risks.</li> <li>Where areas of concern are identified 'deep dives' covering financial and performance information are considered and action plans developed. This covers both the revenue budget and major capital projects.</li> <li>Directorate Leadership Teams receive monthly reports on their financial position and performance, which escalate areas of concern for Directorates to consider mitigating actions.</li> <li>A Commercial Delivery Group monitors the performance of traded services and other aspects of the Council's commercial strategy.</li> <li>A Capital Strategy Board oversees the capital investment pipeline with a specific remit to monitor the delivery of the capital programme.</li> <li>Directors provide an annual assurance that risks are managed, and controls are maintained through the year.</li> <li>Internal Audit provide a level of assurance that the significant risks facing the Council are addressed, based on audit outcomes.</li> </ul>	Implementing any changes required with regards to the Internal Audit Standards in the UK Public Sector, and the Code of Practice for the governance of internal audits in Local Government	GREEN
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	<ul style="list-style-type: none"> <li>We have a structured approach to the monitoring of the key elements of our balance sheet that pose a significant risk to financial sustainability.</li> <li>A reserves strategy is approved as part of the budget/MTFS each year and our level of reserves is monitored on an on-going basis.</li> <li>Compliance with the reserves strategy and the impact of in-year financial performance on the Authority's reserves and balances is reported as a standard part of all monitoring reports to Corporate Board and Cabinet.</li> <li>Cash balances, debt and investments are monitored as part of the treasury management and investment in-year performance reports to Corporate Board and Cabinet.</li> <li>Our performance management framework includes key financial health indicators at corporate and service level. This includes reporting on the level of outstanding debt.</li> <li>Our balance sheet model is used to:                             <ul style="list-style-type: none"> <li>forecast the Council's loan and cash position;</li> <li>determine long term capital financing and external borrowing requirements;</li> <li>assess the impact of major investments through WPDG and WIF as part of the assessment of the risks and benefits of the investment to the Council and subsequent impact on revenue and capital budgets; and</li> <li>support the setting of the authorised and operational boundaries within the Treasury Management and Investment Strategies.</li> </ul> </li> <li>Robust governance arrangements for both WIF and WPDG have been implemented, as approved.</li> </ul>		GREEN
<b>7</b>	<b>External Financial Reporting</b>			
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom"	<ul style="list-style-type: none"> <li>The Executive Director for Resources is responsible for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom".</li> <li>The operational responsibility for production of the Statement of Accounts, in line with proper accounting practices, rests within the Strategic Finance team. The Executive Director for Resources has management responsibility, through the Director of Finance, for the Strategic Finance team.</li> <li>The Strategic Finance team attend relevant briefings and training annually on Code of Practice changes and audit requirements to ensure knowledge is current and the quality of the draft, pre-audit documents remains high.</li> </ul>	Introduction of annual review and approval of accounting policies by the Audit & Standards Committee ahead of producing the draft Statement of Accounts	GREEN
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	<p>The financial outturn report to Corporate Board and Cabinet provides an analysis of the financial position of the organisation at the end of the financial year including:</p> <ul style="list-style-type: none"> <li>capital and revenue performance during the financial year;</li> <li>explanations and mitigating actions put forward by Services for variations to budgets, and the implications on the MTFS;</li> <li>savings achievement; and</li> <li>the resulting reserves position.</li> </ul> <p>The information enables informed decisions to be made about:</p> <ul style="list-style-type: none"> <li>approving the carry forward of specific resources to support the delivery of the Council Plan in the following financial year; and</li> <li>areas to be targeted as providing potential opportunities for budget right-sizing.</li> </ul> <p>The report is consistent with preceding budget monitoring reports presented to Corporate Board and Cabinet throughout the year, from the budget setting report through the three quarterly stages of in-year monitoring, allowing outturn to be viewed in the context of the regular strategic financial reporting.</p>	Targeted reviews in high risk areas, combining financial and service intelligence to enable improved understanding of trends, risks and next steps. Priority areas of focus are those services with increasing overspends: SEND, Children's social care, Social Care and Support and Home to School Transport.	GREEN



## Audit and Standards Committee

20 March 2025

### Warwickshire County Council – Annual Refresh of Accounting Policies 2024/25

#### Recommendations

That the Audit and Standards Committee:

1. Approves the use of the accounting policies in **Appendix A** as the basis of the preparation of the 2024/25 Warwickshire County Council Statement of Accounts;
2. Notes the specific changes to the accounting policy for Leases due to the implementation of the new leases standard “IFRS 16 - Leases” adopted from 1 April 2024 in line with requirements of the CIPFA Code of Practice on Local Authority Accounting; and
3. Delegates authority to the Executive Director of Resources to make any further amendments to the accounting policies during production of the draft Statement of Accounts as are required.

#### 1. Purpose of the Report

- 1.1. As a local authority, we are required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) when preparing our annual Statement of Accounts.
- 1.2. As part of its remit, in recommending the annual Statement of Accounts to Council for approval, the Audit and Standards Committee is also required to approve accounting policies on which the financial statements are based, and the approach adopted by the Authority in complying with accounting requirements. It is therefore best practice where there has been a potentially material change in accounting policy that the Audit and Standards Committee is able to consider and approve accounting policy changes before they are implemented as part of the year end accounts production process.

- 1.3. Also, the external auditors will report to the Audit and Standards Committee their views on the acceptability of our accounting policies and, as there has been a change, they will comment on it in their formal reporting to the Committee after the conclusion of the audit process. This reinforces why it is best practice that the Audit and Standards Committee should be aware of and approve any changes to accounting policies prior to producing the draft Statement of Accounts and the external auditors issuing their Audit Findings Report.
- 1.4. Consequently, this report outlines the new requirements for reporting leases under IFRS 16, adopted on 1 April 2024, and seeks agreement to the wording of the accounting policy and the Council's proposed approach to meeting the new standard on which the Statement of Accounts for 2024/25 and future years will be prepared.
- 1.5. The report also more generally seeks the agreement of the Audit and Standards Committee to the full suite of accounting policies attached as **Appendix A** which will be used as the basis for the preparation of the Warwickshire County Council Statement of Accounts for 2024/25 and future years.
- 1.6. The Audit and Standards Committee is also asked to delegate to the Executive Director for Resources (as s.151 officer) any further amendments to the accounting policies as may be required during the closedown process and production of the draft Statement of Accounts. Any amendments to the attached policies will be reported to the committee alongside the audited accounts in November 2025.

## **2. IFRS16 - Leases**

### **Overview of Lease Accounting**

- 2.1. Under the previous standard "IAS 17 - Leases" there are two types of leases that organisations can enter into to obtain access to the assets they need to undertake their operations. These are finance leases and operating leases and the accounting treatment for each is different. Finance leases are effectively accounted for as acquisitions (with the asset recognised on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases are treated as 'pay as you go' arrangements, with rental payments charged to the revenue account over the term of the lease.

- 2.2. The 2008 financial crisis raised concerns about transparency of information which was 'off-balance sheet' per IAS17. A particular concern was that for a lot of organisations there was no balance sheet recognition of leased assets or any consequent liabilities for lessees (the body using the asset) where they were classified as 'operating leases'. This significantly limited insight into the exposure organisations had to these kinds of liabilities.
- 2.3. In response to this, a new standard 'IFRS 16 – Leases' was issued by the International Accounting Standards Board (IASB) in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. IFRS 16 requires all substantial leases to be accounted for using the 'acquisition approach', recognising the rights acquired to use an asset. This effectively means that for all substantial leases the lessee has to account for them as an acquisition and, therefore, account for the assets and liabilities on the Council's balance sheet.
- 2.4. IFRS16 was initially intended to be adopted for local government within the CIPFA Code in the 2020/21 financial year. However, due to COVID-19 and timeliness of subsequent accounts production and audit completion across the local government sector, implementation for local government has been deferred nationally to the 2024/25 financial year, with an effective date of 1 April 2024.

### **Requirements of IFRS16**

- 2.5. IFRS 16 requires all lessee leases (with exemptions noted in paragraph 2.9) to effectively be accounted for as finance leases, recognising the rights to use an asset; i.e. accounted for as though the Authority had purchased the asset, with a corresponding liability representing the remaining lease payments. These changes from IFRS16 do not apply where WCC is acting as the lessor, which will continue to be accounted for using the previous rules under IAS17.
- 2.6. From 2024/25, our proposed approach to determining the initial value of the asset will be to use the 'cost model' which in effect equates the value of the leased asset as the sum of the remaining principal repayments within the lease contract.
- 2.7. This approach works for all assets except where assets are leased for a concessionary or nil consideration. Assets from such arrangements will instead need to be recognised at 'Fair Value', but with no associated liability. The determination of 'Fair Value' will be undertaken as part of the Council's independent asset valuation contract.

- 2.8. After the initial recognition of leased assets on the Council's balance sheet the assets will be revalued and accounted for in accordance with the Council's current accounting and valuation policies for property, plant and equipment assets.
- 2.9. There are some exemptions for lessees from applying this standard, which reduce the burden of number assets required to be recognised. These are:
- 1) Short term leases - defined as those with a lease term of 12 months or less at the date of their initial recognition;
  - 2) Leases where the value of the asset that the lease relates to is low - defined as those where the value of the asset is less than £10,000. The Code and IFRS16 allows organisations to determine a monetary amount that would constitute low value and £10,000 has been deemed to be a suitable figure for WCC; and
  - 3) Leased intangible assets (non-physical) will be excluded from the scope of our adoption of IFRS 16. This is an optional exemption under IFRS 16. WCC does not currently lease, or plan to lease, any intangible assets of significant value and therefore inclusion of intangible assets would not be an effective additional allocation of resources.
- 2.10. Leases falling under the above exemptions will continue to be accounted for in the same way as operating leases were under IAS 17. No assets and liabilities will be recognised and the annual payment will be expensed in year to the revenue account.

### **Depreciation and Minimum Revenue Provision (MRP)**

- 2.11. As part of our current accounting policies we make an annual charge to revenue for the use of assets through our depreciation policy. Our depreciation policy is that assets are depreciated on a straight-line basis over their useful life. These proposals do not change this policy other than the requirement within IFRS16 to depreciate leased assets on a straight-line basis using the lower of the remaining useful life of the asset or the remaining years on the lease liability.
- 2.12. Also, by following the proper accounting processes, the introduction of increased numbers of finance leases onto the balance sheet will increase the level of capital spend to be financed i.e. the Capital Financing Requirement. Without any other change this would increase the Minimum Revenue

Provision (MRP) set aside as part of annual budget setting to repay debt, as leases are considered a form of debt. However, the Council is already making lease rental payments for these assets and therefore an adjustment will be made to avoid budgets having to be set aside to fund the assets twice. The adjustment will be equal to the principal element of the lease payment so providing for a “net nil” effect on the revenue budget.

### **WCC’s 2024/25 Accounting Policy for Leases**

2.13. The proposed accounting policy drafted in respect of leases that will be in place for the 2024/25 Statement of Accounts is as follows:

#### **Leases**

*We have adopted the new leases standard “IFRS 16: Leases” from 1 April 2024, in accordance with the CIPFA Code of Practice, which mandates the implementation from that date.*

#### As lessee:

*We have formal arrangements where as “lessee”, we obtain the right of use in relation to assets which we do not own outright. We include the value of the leased assets on our balance sheet as part of overall PPE [Property, Plant Equipment]. We recognise a lease liability on the balance sheet which represents the net present value of our obligations to make payments in respect of the leased assets.*

*Under the IFRS 16 - Leases accounting standard, there are a number of scope exemptions applied to lease arrangements with specific circumstances. We apply:*

- *Short-life exemption: Lease arrangements with a term of 12 months or less.*
- *Low value exemption: Lease arrangements relating to an asset with a low value. We apply a threshold of £10,000 on the “as new” value of an asset.*
- *Intangible asset exemption: We opt to exclude intangible assets from the scope of leased assets.*

*The exemptions are applied in order to reduce the administrative burden on reporting lease arrangements within the accounts and ensure efficiency in providing valuable information to the reader of the accounts.*

*A lease period is defined as the non-cancellable period of a lease, plus periods covered by options to extent that reasonably certain to exercise.*

*We have two different types of “lessee” lease arrangements. Concessionary leases, where we make no or negligible annual payments for the rights to use an asset. We also have non-concessionary leases where we make annual payments at market value for the rights to use the asset.*

*Concessionary leases:*

*With concessionary leases, there is no lease liability present on the balance sheet as we have no obligations in respect of future payments. The asset is brought into PPE at the fair value as deemed by our expert valuer. The addition to PPE is treated as per a donated asset. The value of the asset is initially recognised as “donation and grant income” within the CIES [Comprehensive Income and Expenditure Account]. There is no impact to the general fund as the adjustment in the Movement in Reserves Statement reverses the impact to the Capital Adjustment Account. Following recognition, the asset is depreciated like regular PPE and subjected to annual revaluation. At the end of the lease term the asset is derecognised from the balance sheet.*

*Non-Concessionary leases:*

*With non-concessionary leases, a lease liability is recognised on the balance sheet at the time that the asset is recognised. The value of the lease liability is calculated as the net present value of future lease payments – this being the amount of future payments we are contractually obliged to make, discounted to the date of recognition. As the payments are on a market value basis, the future economic inflows expected from possessing the asset are taken to be the same value as the liability calculated. Therefore, the asset and liability recognised are of equal value.*

*The asset is not subject to revaluation each year but is depreciated over the shorter of the remaining lease term and its remaining useful economic life. The treatment of depreciation is in line with owned assets. The asset value is amended to reflect any change in circumstances (e.g. rent review implemented or extension of lease arrangement) which will also alter the value of the lease liability. At the end of the lease term, the asset will be fully depreciated and have zero net book value. The asset is derecognised on cessation of the lease.*

*When lease payments are made, the payments are assigned to two elements. An amount pertaining to the annual unwinding of the discount factor applied is*

*charged as a finance cost to finance and investment income and expenditure in the CIES. The remainder of the payment reduces the principle of the lease liability and is reduced from the value of the lease liability held on the balance sheet. The payment relating to principle is subsequently charged to MRP as a Movement in Reserves Statement adjustment which is treated in line with MRP charged on owned assets.*

*As lessor:*

*Under IFRS 16: Leases, where WCC is the lessor, the concept of operating and finance lease remains.*

*Operating leases:*

*Where we grant an operating lease over an item of property, plant or equipment, the asset is retained on our Balance Sheet and the rental income is credited to the CIES as it is due. We do not disclose contingent rents as they are not material to the financial statements.*

*Finance leases:*

*Where we grant a finance lease over a property or item of plant or equipment, the asset is removed from the Balance Sheet and replaced by a lease receivable. The lease receivable reflects the future amounts to be received as part of the lease arrangement. This is recorded as the net present value of future lease payments to be received. An amount pertaining to the annual unwinding of the discount factor applied is credited as a finance income to finance and investment income and expenditure in the CIES. Payments received by the lessee are recognised in cash and reduce the amount held as lease receivable.*

**Impact on the Financial Statements in 2024/25**

- 2.14. Our records show that we lease at around 60 land and building assets that will be classified as right-of-use assets plus 17 larger vehicles and pieces of equipment where the exemptions per Paragraph 2.9 do not apply. These assets will be accounted for within the Property, Plant and Equipment line on the Balance Sheet. Work is still on-going to quantify the effect of this change.
- 2.15. The implementation of the new accounting standard will not require the authority to restate the 2023/24 Statement of Accounts on an IFRS16 compliant basis. Instead, we will make opening balance adjustments on 1 April 2024 for the 2024/25 accounts.
- 2.16. The application of IFRS16 will have an impact on various parts of the 2024/25 Financial Statements in terms of both the presentation of the accounts and

additional disclosure notes. As well as the opening balance adjustments the elements we will need to disclose are:

#### Balance Sheet

- Right-of-use assets included on the balance sheet as part of the Property Plant and Equipment line with a reconciling disclosure note;
- Lease liabilities as a separate line on the balance sheet or within other liabilities with a reconciling disclosure note;

#### CIES and Movement in Reserves Statement

- Depreciation of right of use assets within the relevant service expenditure line in the net cost of services;
- Finance cost on right-of-use assets;
- MRP on right-of-use assets;

#### Cashflow Statement

- Total cash outflow for leases;

#### Notes to the Statement of Accounts

- Carrying amount of right-of-use assets by class of asset;
- Financial liability and maturity disclosures;
- The nature of leasing activities; and
- Leases signed but not yet commenced.

### **3. Financial Implications**

- 3.1. There will be no direct financial impact for the Council as a result of the introduction of the new accounting standard for leasing.
- 3.2. There will be an additional resource commitment initially to create and then maintain a Council leasing register. This is currently being managed from within existing resources.
- 3.3. IFRS16 will increase the number of assets on our balance sheet required to be valued at Fair Value on an annual basis, this increase may impact on the contract cost to procure independent valuations of our assets.

### **4. Environmental Implications**

- 4.1. None.



## 5. Background Papers

5.1. None.

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## Statement of Accounting Policies 2024/25

### General

The content, layout and general rules we used to prepare these accounts comply with the Code of Practice on Local Authority Accounting 2024/25 ('the Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA code is prepared under International Financial Reporting Standards (IFRS), which have been adopted as the basis for public sector accounting in the UK.

### Accruals of income and expenditure

Activity is accounted for in the year that it takes place. This means that income from the sale of goods or the provision of services is recorded in our accounts when the goods or services are transferred to the recipient in accordance with the performance obligations in the contract. Expenditure is recorded in our accounts when services are received, rather than when we actually make a payment, and supplies are recorded as expenditure when we use them or as inventories on the Balance Sheet until that point. Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where services or goods have been received/delivered, but invoices have not been received/raised, a debtor or creditor accrual for the relevant amount is recorded to ensure that income/expenditure is captured in the correct financial year. Accruals recorded are subject to a de minimis level of £1,000 for revenue income/expenditure and £6,000 for capital expenditure. We expect the aggregate impact of items below the de minimis level to be immaterial to the financial performance and position.

### Assets held for sale

Where we have decided to sell an asset and the asset is being actively marketed with a sale expected within 12 months of making that decision, it is categorised as a current asset held for sale. We value these at the lower of carrying amount and fair value less disposal costs. Those assets that we do not expect to sell within 12 months are not classed as assets held for sale and instead are valued at their previous use.

### Apprenticeship Levy

The cost of the Levy is recognised as a direct cost of employment in the Comprehensive Income and Expenditure Statement (CIES) when it is paid to His Majesty's Revenue and Customs (HMRC). When funds are transferred from the Government's Digital Apprenticeship Account to an approved training provider a training expense up to the value of the training provided, with a corresponding entry for a government grant, will be recognised in the CIES against the service benefiting from the training.

### **Cash and cash equivalents**

Cash is money held in current bank accounts and overdrafts that are repayable on demand and are integral to daily cash flow management. Money held in call accounts and short-term funds invested for a term of three months or less are classified as cash equivalents because they are readily available to be converted into cash.

### **Contingent assets**

We identify contingent assets where an event has taken place that gives the authority a probable asset, whose existence will only be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control. These are not included in our Balance Sheet.

### **Contingent liabilities**

We identify contingent liabilities where either:

- a possible obligation has arisen from past events and whose existence will be confirmed by the occurrence or non-occurrence of some uncertain future event not wholly within our control; or
- a present obligation may arise from past event but is not recognised because either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. These are not included in our Balance Sheet.

### **Employee benefits**

#### Benefits payable during employment

The accounts reflect entitlements that have been earned by employees, such as salaries and wages, as a consequence of the service completed by them as at 31 March each year even if we would never normally make payments for them, such as annual leave and time-off in lieu not yet taken. These are accrued for in the cost of services in the CIES.

#### Termination benefits

Termination benefits are amounts payable as a result of a decision to terminate an officer's employment before normal retirement age or an officer's decision to accept voluntary redundancy. Termination benefits are recognised immediately as an expense to the service in the CIES at the earlier of when the authority can no longer withdraw the offer or when we recognise costs of a restructuring.

#### Post-employment benefits

As part of the terms and conditions of employment we offer retirement benefits. Although these benefits will not actually be payable until the employee retires, we account for post-employment benefits in the CIES at the time that employees earn their future entitlement. Our employees are members of four different pension schemes, and we participate in one compensation scheme:

- the Local Government Pension Scheme;
- the Teachers' Pension Scheme;
- the Firefighters' Pension Scheme and the Firefighters' Injury Awards Scheme; and

- the National Health Service Pension Scheme.

All four pension schemes provide members with pensions and other benefits related to their pay and length of service.

#### **Events after the Balance Sheet date**

We consider any material events that occur between the date of the Balance Sheet and the date the accounts are authorised for issue by the Executive Director for Resources.

#### **Exceptional items, prior period adjustments and changes to accounting policies**

Exceptional items are material items of income or expenditure that are disclosed separately in the CIES to aid understanding of our financial performance.

Prior period adjustments are made where there are material adjustments applicable to prior years arising from changes in accounting policies or to correct a material error. Where a change to accounting policies is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for earlier years as if the policy had always applied.

#### **Fair value**

We value several classes of our assets at fair value. We define this as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value applies to non-operational property, plant and equipment classified as surplus assets, investment properties, assets held for sale and financial instruments.

We use appropriate valuation techniques, maximising the use of relevant known data and thereby minimising the use of estimates or subjective valuations. We assess the level of uncertainty in our valuations by assigning our assets into three categories:

- Level 1 – quoted prices of identical assets or liabilities;
- Level 2 – inputs other than quoted prices that are observable, either directly or indirectly; and
- Level 3 – unobservable inputs. Developed to reflect the assumptions that market participants would use when determining an appropriate price.

#### **Financial assets**

Financial assets are classified based on our business model for holding them and their cash flow characteristics. There are three main classes:

- amortised cost;
- fair value through profit or loss (FVPL); and
- fair value through other comprehensive income and expenditure (FVOCI) – designated equity instruments.

Financial assets measured at amortised cost are recognised on the Balance Sheet when we become a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

The fair value measurements of FVPL assets are based on the following techniques:

- instruments with quoted market prices – the market price; and
- other instruments with fixed and determinable payments – discounted cash flow analysis.

FVPL assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. A Pooled Investment Funds Adjustment Account is used to reflect valuation movements of qualifying investments by reversing out the impact on the general fund. This relates to a statutory override in place until 31 March 2025. At this time the valuation movement will then be reflected on the General Fund. Those that do not qualify, impact the General Fund each year and we hold an earmarked volatility reserve to reflect the net increase or decrease to date.

Equity instruments designated as FVOCI are those which are not held in order to give rise to contractual cashflows and are not held for trading. They are valued at fair value using the earnings multiple valuation method or at cost if suitable information is not available or appropriate. Movements in fair value are recognised in the CIES in Other Comprehensive Income and Expenditure and reflected in the Financial Instruments Revaluation Reserve. These gains or losses are only realised in the General Fund when the assets are sold. Interest is recognised in the CIES is the amount receivable for the year in the loan agreement.

We recognise expected credit losses on assets held at amortised cost or FVOCI either on a 12-month or lifetime basis as appropriate. Impairment losses are calculated to reflect our expectation that future cash flows might not take place because the debtor defaults on their obligations. Where risk has significantly increased since an instrument was recognised, losses are assessed on a lifetime basis. Where risk has not significantly increased or remains low, losses are assessed on the basis of 12-month expectations. For further details on the impairment of current debtors (allowances for bad debts) see note 15. These are shown in service expenditure in the CIES.

### **Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when we become party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently carried at their amortised cost. Annual charges to the CIES for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument in the year it was due. For our borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the CIES is the amount payable for the year in the loan agreement. Trade creditors are due within one year and the fair value is deemed to equate to the carrying value.

### **Going concern**

Local authorities cannot be created or dissolved without statutory prescription. The provisions of the Code on going concern reflect the economic and statutory environment in which local authorities operate and hence these accounts are prepared on the basis that the functions of the authority will continue in operational existence for the foreseeable future.

### **Grants**

Grant income is recorded in the accounts when we have reasonable assurance that the grants will be received and that we will comply with any conditions attached to them. General grants we receive are shown as Taxation and non-specific grant income in the CIES. Revenue grants we receive to pay for spending on specific service activities are shown as income for the relevant service area when we are confident that any grant conditions have been met. Where revenue grants have conditions outstanding the grant is held as a receipt in advance; if the conditions are met but the grant remains unspent, it is held in an earmarked reserve.

Capital grants are credited to the CIES when any relevant conditions governing their use have been met. This income is then reversed out and charged to the Capital Adjustment Account upon use, so the level of council tax is not affected. Unused non-conditional capital grants are held in the Capital Grants Unapplied Reserve. Following receipt of grant monies, where grant conditions are not met, capital grants are held on the Balance Sheet as a receipt in advance.

### **Group accounts**

We have assessed the entities within our group boundary, including our wholly owned subsidiaries, in line with the Code and accounting standards. Having due regard to materiality of effects on the financial statements and other qualitative considerations that may affect the understanding by the readers of the accounts, we have not established a requirement to produce group accounts.

We account for schools' income and expenditure, assets and liabilities in the single entity financial statements rather than produce group accounts, in accordance with the Code.

### **Heritage assets**

Our heritage assets are held for their cultural, environmental or historic associations, making their preservation for future generations important. We value our museum collections and valuables at the Courts, Judges' House and Shire Hall at their insurance valuations. The Golden Tower of Leaves and our Waller of Woodcote archive collection of family and estate letters and deeds at County Records are valued at cost. It would not be cost effective to undertake revaluations for all other County Record documents and any valuations would not have a material impact on the accounts. Operational heritage assets used in the provision of services or for other activities are accounted for under other asset classes elsewhere in the Balance Sheet. Heritage assets are valued at insurance cost unless our valuer believes conventional methods relevant to their classification are more appropriate. Any gains on reclassification are taken to the Revaluation Reserve.

### **Income from selling non-current assets**

We use the income from selling non-current assets to meet part of the cost of new capital spending or to repay borrowing. We show the gain or loss on the sale of assets in the CIES. This is the difference between the sale proceeds and the carrying value of an asset after allowing for costs relating to the sale of the asset. We take all costs of disposal incurred in a year to the CIES, regardless of whether all the proceeds of the related sale have been received. We use up to 4% of a capital receipt to meet these disposal costs.

The carrying value of the asset (the net book value after depreciation) and the sale proceeds are also reversed in the Movement in Reserves Statement (MIRS) and transferred to the Capital Adjustment Account and Capital Receipts Reserve respectively, so the level of council tax is not affected.

Where we have the right to capital receipts but have not yet received the cash payment, the transactions in the CIES are unaffected. However, instead of recognising a Usable Capital Receipt, we instead recognise a Deferred Capital Receipt, which cannot be used to pay for our capital expenditure until the cash is received.

### **Intangible assets**

Intangible assets are non-financial non-current assets that do not have physical substance and are controlled by the authority through custody or legal rights (such as software licences). We treat intangible assets in the same way as other non-current assets. We gradually reduce the value of intangible assets on a straight-line basis over their useful life (up to 10 years) to reflect the consumption of the economic or service benefit and charge this to the CIES. Intangible assets are valued at amortised historic cost.

### **Inventories**

Inventories are materials or supplies that will be consumed in producing goods or providing services. Inventory stock is valued at the cost that we paid for them.

### **Investment property**

Investment property assets are those held for rental purposes, capital value appreciation or both. They are not used for the delivery of services. Such assets are initially measured at cost. Investment property is not depreciated but is revalued at fair value every year. Gains and losses on revaluation, as well as disposal and/or rental income, are shown in the Financing and investment income and expenditure line in the CIES.

### **Leases**

We have adopted the new leases standard "IFRS 16: Leases" from 1 April 2024, in accordance with the CIPFA Code of Practice, which mandates the implementation from that date.

#### As lessee:

We have formal arrangements where as "lessee", we obtain the right of use in relation to assets which we do not own outright. We include the value of the leased assets on our balance sheet as part of



overall PPE. We recognise a lease liability on the balance sheet which represents the net present value of our obligations to make payments in respect of the leased assets.

Under the IFRS 16: Leases accounting standard, there are a number of scope exemptions applied to lease arrangements with specific circumstances. We apply:

- Short-life exemption: Lease arrangements with a term of 12 months or less.
- Low value exemption: Lease arrangements relating to an asset with a low value. We apply a threshold of £10,000 on the “as new” value of an asset.
- Intangible asset exemption: We opt to exclude intangible assets from the scope of leased assets.

The exemptions are applied in order to reduce the administrative burden on reporting lease arrangements within the accounts and ensure efficiency in providing valuable information to the reader of the accounts.

A lease period is defined as the non-cancellable period of a lease, plus periods covered by options to extent that reasonably certain to exercise.

We have two different types of “lessee” lease arrangements. Concessionary leases, where we make no or negligible annual payments for the rights to use an asset. We also have non-concessionary leases where we make annual payments at market value for the rights to use the asset.

Concessionary leases:

With concessionary leases, there is no lease liability present on the balance sheet as we have no obligations in respect of future payments. The asset is brought into PPE at the fair value as deemed by our expert valuer. The addition to PPE is treated as per a donated asset. The value of the asset is initially recognised as “donation and grant income” within the CIES. There is no impact to the general fund as the adjustment in the Movement in Reserves Statement reverses the impact to the Capital Adjustment Account. Following recognition, the asset is depreciated like regular PPE and subjected to annual revaluation. At the end of the lease term the asset is derecognised from the balance sheet.

Non-Concessionary leases:

With non-concessionary leases, a lease liability is recognised on the balance sheet at the time that the asset is recognised. The value of the lease liability is calculated as the net present value of future lease payments – this being the amount of future payments we are contractually obliged to make, discounted to the date of recognition. As the payments are on a market value basis, the future economic inflows expected from possessing the asset are taken to be the same value as the liability calculated. Therefore, the asset and liability recognised are of equal value.

The asset is not subject to revaluation each year but is depreciated over the shorter of the remaining lease term and its remaining useful economic life. The treatment of depreciation is in line with owned assets. The asset value is amended to reflect any change in circumstances (e.g. rent review implemented or extension of lease arrangement) which will also alter the value of the lease liability. At the end of the lease term, the asset will be fully depreciated and have zero net book value. The asset is derecognised on cessation of the lease.

When lease payments are made, the payments are assigned to two elements. An amount pertaining to the annual unwinding of the discount factor applied is charged as a finance cost to finance and investment income and expenditure in the CIES. The remainder of the payment reduces the principle of the lease liability and is reduced from the value of the lease liability held on the balance sheet. The

payment relating to principle is subsequently charged to MRP as a Movement in Reserves Statement adjustment which is treated in line with MRP charged on owned assets.

#### As lessor:

Under IFRS 16: Leases, where WCC is the lessor, the concept of operating and finance lease remains.

#### Operating leases:

Where we grant an operating lease over an item of property, plant or equipment, the asset is retained on our Balance Sheet and the rental income is credited to the CIES as it is due. We do not disclose contingent rents as they are not material to the financial statements.

#### Finance leases:

Where we grant a finance lease over a property or item of plant or equipment, the asset is removed from the Balance Sheet and replaced by a lease receivable. The lease receivable reflects the future amounts to be received as part of the lease arrangement. This is recorded as the net present value of future lease payments to be received. An amount pertaining to the annual unwinding of the discount factor applied is credited as a finance income to finance and investment income and expenditure in the CIES. Payments received by the lessee are recognised in cash and reduce the amount held as lease receivable.

### **Minimum Revenue Provision**

We are required to make an annual contribution from revenue for the repayment of our debt as approved in our Treasury Management Strategy. This is known as the Minimum Revenue Provision (MRP). We calculate MRP on a weighted average straight-line basis using the average remaining useful life of our asset portfolio over the two asset categories of:

- land, buildings and infrastructure; and
- vehicles, plant and equipment.

Additionally, MRP is charged on leased assets in respect of the principal amount of the finance lease liability paid in the year.

### **Overheads and support service costs**

All support service costs are held within the directorate within which they are managed.

### **Pooled budgets**

We are the host authority to a number of pooled budget arrangements. These are joint arrangements solely for the purposes of working together with other public sector bodies and which do not create separate entities. Within income, expenditure, assets and liabilities reported in our financial statements, we only account for amounts where we are the commissioning body. This will include

amounts owed to or owed by the other parties in the pooled budget arrangement to the authority where it is the commissioning body.

### **Property, plant and equipment**

Assets that have a physical substance, are held for use in the production or supply of services and that are expected to be used during more than one financial year are classified as property, plant and equipment (PPE). The accounting policies specific to Infrastructure assets are set out separately below.

#### Recognition

Our spending on buying, creating or improving PPE is classed as capital spending provided that it is probable that the future economic benefits or service associated with the item will flow to us, the cost of the item can be measured reliably and the nature of the spend is to enhance or create as opposed to repairing. Spending that does not provide a significant benefit in terms of value, asset life, or service performance or which falls below our de minimis level of £6,000 is charged to our revenue account in full in the year it occurs.

#### Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Assets are valued on the basis set out by CIPFA and in line with the Statements of Asset Valuation Practice and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Our valuation process is led by the Council's Strategic Finance team in collaboration with the Strategic Assets Management team. External valuers are commissioned on a multi-year contract basis.

The closing balances on 31 March are determined in the following ways:

- Operational land and buildings are included in the Balance Sheet at their current value based on their existing use less an annual charge for depreciation. However, where there is insufficient market valuation evidence, for example schools, assets are included in the Balance Sheet at a depreciated replacement cost;
- Surplus assets are those which we do not use in our day-to-day work and which are not likely to be disposed of in the next twelve months. We include these assets in the Balance Sheet at fair value, based on highest and best use. These assets are revalued every year.

and

- Assets under construction are held in the Balance Sheet at the cost incurred on their production to date. When the asset is deemed operationally complete the balance is transferred to the appropriate asset class shown above and depreciation begins.

We revalue operational PPE assets held at a value other than depreciated historic cost annually to ensure their carrying amount is not materially different from their current value at year end.

When asset values rise above the amount we paid for them we add the difference to the Revaluation Reserve. When asset values go down, the reduction is charged to any available Revaluation Reserve balance held for that asset, with the remainder being charged to the relevant service line in the CIES. This charge is then reversed out in the MIRS so that there is no impact on council tax.

### Impairment

Assets are assessed at each year-end to identify whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. The accounting treatment of impairment losses is the same as that for revaluation losses shown above.

### Depreciation

Depreciation is an accounting estimate used to spread the cost of an asset over its useful economic life. We charge depreciation on buildings over our valuer's estimate of their useful economic life (between 5 and 65 years), on roads and bridges over 30 years, and on vehicles and equipment over their own useful lives (between 3 and 20 years for vehicles and between 3 and 40 years for equipment).

The cost of depreciation is calculated by the following methodology:

- Our new assets are depreciated from the start of the financial year after they become operationally complete;
- Depreciation is calculated on a straight-line basis meaning that an asset's value falls equally each year throughout its life. If the gross value or remaining life of the asset changes due to expenditure, impairment or revaluation, the depreciation charge will change in the following year; and
- We generally charge depreciation on buildings as a single asset. However, if we determine that the value of major components within an asset are material with respect to the overall value of that asset, and that the lifetime of these components is significantly shorter than the remaining useful economic life of the asset, the major component is depreciated separately.

We do not charge depreciation on land we own, as it does not have a limited useful life, nor on investment properties or assets held for sale. Similarly, heritage assets are generally assessed to have infinite lives and so are not depreciated.

The estimated useful economic lives of our land and buildings are assessed by our valuers as part of the revaluation of these assets.

### Derecognition

Assets are derecognised when they are replaced, sold or no longer owned. The amount of the asset written out is the carrying value (including any revaluations and accumulated depreciation). This leaves no residual value relating to the asset. Assets that have been fully depreciated for 5 years are derecognised unless there is evidence that they are still in existence. When derecognition occurs, the carrying value derecognised and the proceeds received are added to the calculation of the gain/loss on disposal. This is charged to the CIES and subsequently reversed out in the MIRS so that there is no impact on the General Fund.

### **Property, plant and equipment – Infrastructure Assets**

Infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

### Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

### Measurement

Infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994, which was deemed at that time to be historical cost. Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year. The authority uses a useful economic life of 30 years for infrastructure assets.

### Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

### **Provisions**

We recognise provisions at the balance sheet date where a past event gives rise to a probable future outflow of resources (payment). For provisions to be recognised they need to meet three tests:

- they must be the result of a past event;
- a reliable estimate can be made; and
- there must be a clear responsibility for the Council to make a future payment because of the past event.

Provisions are charged to the appropriate service line in the CIES when we become aware that it is probable a future payment will be required. The provision is based on the best estimate of the likely settlement. When payments are made, they are charged to the provision already set up in the Balance Sheet.

## Reserves

We keep reserves to pay for spending on projects we will carry out in future years, to protect us against unexpected events and to manage the financial risk of the uncertainty we face. Reserves include 'earmarked reserves' which are set aside for certain policy purposes and other 'general reserves' which represent resources set aside for purposes such as general events and managing our cash flow and financial risks. By law, schools are entitled to keep any of their budgets they have not spent. These amounts are shown separately from other reserves.

Reserves are created by appropriating amounts from the Council's General Fund in the MIRS. When expenditure is financed from a reserve, the expenditure itself is charged to the appropriate service line in the CIES. The reserve is then appropriated back via the MIRS so that there is no net charge against council tax. Some reserves hold unspent funding which can only be applied in specific ways, such as the Capital Grants Unapplied and Capital Receipts Reserve.

Other 'unusable reserves' are kept to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits:

- the capital accounting system requires us to maintain a Revaluation Reserve to reflect unrealised gains on non-current assets, and a Capital Adjustment Account to manage timing differences between their usage and financing;
- we maintain a Deferred Capital Receipts Reserve to recognise proceeds from the sale of assets where we have a right to the capital receipts but have not received cash payment;
- we maintain a Financial Instruments Revaluation Reserve to hold qualifying gains and losses on FVPL assets
- we maintain a Pooled Investment Funds Adjustment Account to hold qualifying gains and losses on Pooled Investment Funds.
- we maintain an Accumulated Absences Reserve to hold the amount we have to accrue for post-employment benefits such as annual leave earned but untaken at the year-end so as not to affect the level of Council Tax;
- we maintain a Collection Fund Adjustment Account which holds the difference between the amounts required to be shown in the CIES for council tax and business rates and that required by legislation to be taken against the General Fund;
- we maintain a Dedicated Schools Grant (DSG) Adjustment Account to hold deficits on DSG as these cannot be offset against General Fund Reserves and must be carried forward and met from future DSG funding in line with current legislation and statutory requirements; and
- we maintain a Pensions Reserve to hold the difference between any increase in the accounting cost of pensions in the year and the statutory figure chargeable in any year, which is the contribution made by the authority.

### **Revenue expenditure funded from capital under statute**

We undertake some capital spending during the year that does not result in the creation of an asset we own. Any money we spend this way must be charged to the CIES but be funded from capital resources, and so, we make an adjustment in the MIRS equal to the expenditure to reverse this to the Capital Adjustment Account.

### **Schools and schools' assets**

The balance of control for local authority maintained schools, foundation, voluntary aided and voluntary controlled schools are all deemed to lie with the local authority. We therefore recognise schools' assets, liabilities, reserves and cash flows in our financial statements as if they were transactions, cash flow and balances of the authority. Any asset provided by a third party and consumed in the provision of an education service with schools or donated to the school will be treated as a donated asset. School assets are derecognised in full on the date that a school transfers to academy status. These are disposals for nil consideration. These losses on disposal/transfer are shown in the Other operating income and expenditure line in the CIES.

### **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income. We are subject to Partial Exemption: as long as the VAT we claim on purchases used to generate exempt income is less than 5% of all VAT claimed on purchases in the year, we can claim all our VAT back in full.

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## Audit and Standards Committee

20 March 2025

### Amendments to the Contract Standing Orders

#### Recommendation:

That the Audit and Standards Committee endorses the changes to the Contract Standing Orders that form part of the Council's Constitution as set out at Appendix 1 to this Report and recommends them to Cabinet for endorsement and Council for approval.

#### 1. Executive Summary

- 1.1 The Council is required by section 135 of the Local Government Act 1972 to have Contract Standing Orders in relation to contracts for the supply of goods or materials or for the execution of works. The Contract Standing Orders (CSOs) form part of the Council's Constitution, which the Council is required to have under section 9P of the Local Government Act 2000. The CSOs were last reviewed and changes approved by full Council in 2021.
- 1.2 The Procurement Act 2023 (the Procurement Act) received royal assent on 26 October 2023 and although it was initially due to come into force in October 2024, this was delayed and the Act came into force on 24 February 2025.
- 1.3 The Procurement Act reforms the rules for public procurement and consolidates various existing public procurement rules into one regime. The changes made by the Procurement Act and its associated Regulations are intended improve the way that public bodies procure through simpler, more flexible and effective approaches to procurement. In particular, some of the major changes include:
  - 1.3.1 New procurement procedures which are intended to enable procurements to be completed in a more agile way.
  - 1.3.2 The introduction of a Central Digital Platform to enable suppliers to find out what procurement opportunities are on the horizon and to provide information on contracts that have been let and how they have been changed.
  - 1.3.3 Increased transparency by way of more notices which are required to be published at various stages of a procurement.
  - 1.3.4 Changes to the standstill process which is the period between the publication of a contract award notice and the date the contract can be entered into.
  - 1.3.5 New requirements to have Key Performance Indicators (KPIs) for certain contracts

- 1.3.6 New contract management requirements following the award of a contract including publishing performance against KPIs and excluding suppliers and sub-contractors who pose unacceptable risks
  - 1.3.7 A new central debarment list for excluded suppliers.
  - 1.3.8 A requirement to have regard to the National Procurement Policy Statement which sets out the national strategic Government priorities for public procurement and Procurement Objectives including eliminating barriers to small and medium-sized enterprises.
- 1.4 In addition to the Procurement Act, the Health Care Services (Provider Selection Regime) Regulations 2023 (the PSR Regulations) came into force on 1 January 2024. The PSR Regulations apply to the procurement of certain health care and public health services. Therefore, whilst they do not apply to the majority of the contracts the Council procures and enters into, they will apply to a small number of contracts for public health services procured by the Council and also certain health services that might be procured by the Council under partnership arrangements with NHS partners.
- 1.5 A great deal of work has been and continues to be undertaken by officers to implement these changes including the revision of the notices required under the new regime, review of all procurement documentation and the development of guidance for staff. A core group of officers including legal, financial and commercial expertise has reviewed the Council's policies, procedures and Contract Standing Orders to ensure compliance with the new regime. Training has been provided to those within the Council who purchase, commission or oversee procurement activity and contracts. This has been both internal and provided by external experts including CIPFA and external legal specialists. Further training around Contract Standing Orders will follow once the revised CSOs have been approved by full Council.
- 1.6 The CSOs have been amended to ensure they are consistent with the Act and its associated Regulations and also the PSR Regulations. As the Contract Standing Orders form part of the Constitution, any amendments to them require the approval of full Council.

## **2. Financial Implications**

- 2.1 There are no direct financial implications as a result of the changes being proposed to the CSOs, however, there are financial implications in respect of the implementation of the changes required by the Procurement Act and ongoing compliance with the new regime. Additional capacity has been built into the overall Council budget to reflect this.

### **3. Environmental Implications**

- 3.1 There are no direct environmental implications as a result of the changes being proposed to the CSOs, however, the new procurement regime does give more prominence to environmental considerations as contracting authorities may assess tenders against a wide range of factors to determine the best solution including wider social, economic and environmental issues and benefits.

### **4. Supporting Information**

- 4.1 The changes that have been made to the CSOs do not affect the balance between member and officer decision making as no amendments have been made to the thresholds over which member authority is required to start a procurement process. There is an increased emphasis on seeking advice from Procurement, Contract Management and Legal colleagues prior to undertaking a new procurement or making changes to existing contracts to ensure that all requirements of procurement legislation are complied with. This is particularly important as the Council navigates the new legislation. The majority of the changes have been made to ensure consistency with the new procurement legislation and the key changes in this respect are as follows:
- 4.1.1 The procurement objectives and principles as set out in the procurement legislation and which the Council must have regard to are specifically included.
  - 4.1.2 The list of contracts and activities which the CSOs do not apply to have been reviewed to ensure they are consistent with the procurement legislation.
  - 4.1.3 The list of contracts where direct award may be justified, but other aspects of the CSOs and procurement legislation may still apply (such as requirements to publish notices) have been reviewed to ensure they are consistent with the procurement legislation.
  - 4.1.4 Amendments have been made throughout the CSOs to ensure that officers undertaking a procurement or wishing to vary, extend or terminate existing contracts seek advice from Procurement, Contract Management and Legal colleagues. This is particularly important given the new transparency requirements (through the publication of various notices) which are required under the procurement legislation and which only Procurement and Contract Management officers will be able to publish.
  - 4.1.5 The section on modifying contracts has been reviewed to ensure that it is consistent with the procurement legislation.
  - 4.1.6 The list of matters which must be specified in contract documents has been reviewed to ensure it is consistent with the procurement legislation.
  - 4.1.7 Reference to when Key Performance Indicators are required have been included to ensure consistency with the procurement legislation.

- 4.1.8 Information on the various types of notices that might be required under the Procurement Act has been included and it has been made clear that only officers from Procurement and Contract Management are authorised to publish such notices on the Central Digital Platform.
  - 4.1.9 The sections on frameworks (previously referred to as framework agreements), award criteria and evaluation and award of contracts and debriefing tenderers have been updated to ensure consistency with the procurement legislation.
  - 4.1.10 A section on supplier exclusion and debarment has been added to ensure consistency with the procurement legislation.
  - 4.1.11 A section on transitional arrangements has been included to clarify which rules apply to contracts that were awarded prior to 24 February 2025 or awarded after that date if the procurement went live before and which rules apply if the contract was awarded or procurement went live after that date.
  - 4.1.12 The definitions and terminology have been updated throughout to ensure consistency with the procurement legislation.
- 4.2 In addition to the above changes, the CSOs have been reviewed to ensure that they generally fit for purpose and up to date. In particular, amendments have been made to the section which governs when the Council is a supplier to clarify the processes that are required to be followed in such situations. Clarification has also been included in respect of the governance for entering into grant agreements and there is an increased emphasis on engaging with Procurement, Legal and Contract Management colleagues earlier. Finally, the order of the CSOs has been amended to make them easier to follow.

## **5. Timescales associated with the decision and next steps**

- 5.1 If endorsed by this Committee, the proposed amendments to the CSOs will be taken to Cabinet for endorsement and then onto full Council in May for approval.
- 5.2 Once approved the Council's Constitution will be updated to reflect the amended CSOs and communications will go out to staff to make them aware of the changes.

## **Appendices**

- 1. Appendix 1 – Contract Standing Orders with proposed changes tracked

## **Background Papers**

- 1. None

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The report was circulated to the following members prior to publication:

Local Member(s): N/A as County Wide report

Other members: Councillors Adrian Warwick, Parminder Singh Birdi, Sarah Boad, Sarah Feeney, and Will Roberts

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## SECTION 3 – CONTRACT STANDING ORDERS

Council rules for buying and supplying goods, works, or services and for disposing of assets other than property.

Effective from ~~1 January 2022~~ [TBC](#)

For clarity, and pursuant to the Constitution of the County Council, the role of ~~S. Section 151 officer~~ [Officer](#) is exercised by the Executive Director for Resources and the role of Monitoring Officer is exercised by the Director of Strategy, Planning and Governance. [In the absence of the Section 151 Officer the Deputy Section 151 Officer is the Director of Finance, and in the absence of the Monitoring Officer the Deputy Monitoring Officer is the Head of Legal and Governance.](#)

### 1. SCOPE AND PURPOSE

- 1.1. As a body using public resources, the Council must set and follow the highest standards of financial control and stewardship. Contract Standing Orders (CSOs) provide Officers and Members with procedures to follow to ensure that the required standards are met.
- 1.2. ~~CSO's~~ [CSOs](#) are consistent with ~~procurement legislation~~ [Procurement Legislation](#) and the Council's Code of Corporate Governance and are considered by Audit & Standards Committee annually as part of the approval of the Annual Governance Statement.
- 1.3. CSOs set out procedures designed to ensure that the Council achieves value for money ~~and~~ social value [and maximises public benefit](#), that it complies with statutory requirements, [and](#) that its affairs are prudently managed and properly controlled. [CSOs also provide a basis for fair competition by providing transparent and auditable procedures to protect the Council's reputation from any suggestion of dishonesty or corruption.](#)
- 1.4. [Following CSOs is mandatory. They govern and regulate the procurement activity of all Officers and any companies or organisations within the Council's control and apply to any persons or organisations who are supporting the Council in relation to any procurement exercise.](#) Non-compliance with ~~these rules~~ [CSOs](#) could result in a legal challenge ~~and to the Council and regardless of the value of the contract concerned, will be a breach.~~ [Non-compliance](#) may also constitute a disciplinary offence [for Officers if they are involved in procurement activity that is not undertaken in accordance with CSOs.](#)
- 1.5. Prior to commencing ~~a~~ [any commissioning or procurement activity \(i.e. pre-market engagement, procurement /sale /contracting process\)](#) on behalf of the Council, Officers should ensure that they have the [internal](#) authority to do so. Failure to do so may result in delay and/or the cancelling of procurement activity. Officers should check with Legal ~~and/or~~ Democratic Services if they are unsure of ~~their~~ [the](#) authority [they need to obtain](#).
- 1.6. The purpose of CSOs is to promote good procurement [and contract management](#) practice, public accountability, ~~detert~~ [deter](#) [fraud and](#) corruption and [to](#) provide protection for the Council and its staff against allegations of impropriety. These CSOs set out and explain the Council's minimum requirements when contracting for goods,

services and works and/or disposing of assets.

1.7. CSOs must be read in conjunction with the Council’s Financial Standing Orders. They apply to **all** spend with external suppliers regardless of type and regardless of the source of funding (e.g. capital, revenue, sponsorship, donations or grants from a third party). They apply to contracts let by the Council on its own behalf and when it is acting as a purchasing authority on behalf of others. They also apply to those companies or organisations within the Council’s control. Where the Council is taking part in procurement activity controlled by a partner authority, officers should satisfy themselves that any proposed process meets the Council’s legal obligations and should speak to procurement and legal colleagues colleagues in Procurement and Legal (and where appropriate Contract Management) where they are unsure.

1.8. ~~CSO’s~~ CSOs are designed to ensure that all procurement, contract management and disposal activity:

- Achieves best value for money;
- Maximises public benefit
- Is consistent with the highest standards of integrity;
- Generates market competition with a transparent, fair, and consistent approach;
- Complies with ~~all~~ legal requirements;
- Complies with the Council’s transparency obligations
- Supports and complies with the ~~council’s~~ Council’s corporate aims and policies; including the Council Plan and Council Delivery Plan;
- Meets ~~on~~ the Council’s diversity and sustainability objectives and ensures equality of treatment (unless a difference between suppliers justifies different treatment)
- Has due regard to the National Procurement Policy Statement
- Complies with the Procurement Objectives and Principles of the relevant Procurement Legislation

For the avoidance of any doubt at a high level the following are the Procurement Objectives and Principles of the Procurement Legislation:

<u>Procurement Act Objectives</u> <u>Section 12 of the Procurement Act 2023</u>	<u>Provider Selection Regime Principles</u> <u>Regulation 4 of the Health Care Services</u> <u>(Provider Selection Regime) Regulations</u> <u>2023</u>
<u>Delivery of best value</u>	<u>Securing the needs of the people who use the services</u>
<u>Maximisation of public benefit</u>	<u>Improving the quality of the services</u>
<u>Sharing information for the purpose of allowing Candidates and others to understand the Councils procurement policies and decisions</u>	<u>Improving the efficiency of the provision of the services</u>
<u>Acting, and being seen to act, with integrity</u>	<u>Acting transparently, fairly and proportionately</u>
<u>Treating all Suppliers the same unless in exceptional circumstances the Act otherwise permits</u>	



1.9. Council budgets and resources must only be used for the purchase of Works, Goods and Services which are for the express use of the Council and/or companies or organisations within the Council's control and/or any partners working collaboratively with the Council. Anyone engaged in purchasing decisions for the Council must declare any links or personal interests that they may have with purchasers, suppliers and/or contractors, in accordance with CSOs, the Financial Regulations and the relevant policies and procedures concerning the issue or receipt of gifts, rewards or hospitality.

## 2. WHEN DO ~~CSO'S~~CSOS APPLY?

2.1. ~~CSO's~~CSOs apply to all contractual arrangements entered into by the Council except for those specifically excluded at ~~paragraphs~~CSO 2.2 and 2.3 below. ~~They~~ Whilst the requirements for competition do not apply to the types of contracts set out at CSO 2.3, other requirements, such as the transparency requirements, will still apply. CSOs apply to contracts where the ~~council~~Council is receiving goods or services and to contracts where the ~~council~~Council is supplying goods or services. Contracts must ~~comply~~be let in compliance with ~~CSO's~~CSOs irrespective of how they are funded. Procurement ~~legislation~~Legislation covers contracts for services, works and supplies. This includes contracts for the provision of works (including design and execution of works), for the purchase, lease rental or hire of products (including installation) and for the provision of services generally, ~~subject~~to exemptions and relaxations for specific types of service activity that procurement can advise upon. Works, services and goods are defined as:

- a. CSO'sWorks – the construction of structures of all kinds, such as buildings, highways, bridges, as well as renovations, extensions and repairs and other building works as defined in the Procurement Regulations 2024 at Regulation 45 and with the common Procurement Vocabulary Codes listed in Schedule 3
- b. Services – the supply of expertise as deliverables either once, on multiple occasions, or on a regular basis; this can include software if provided as a service, consultancy and external advisory services
- c. Goods – physical products purchased, leased, rented, or manufactured on request; this can include software in some instances, IT hardware and other consumables

### Exempt Contracts

2.2. CSOs and Procurement Legislation do not apply to the following activities or contracts which are covered by separate policies and procedures:

- a. Contracts for fixed term or permanent appointments where individuals become employees of the Council (NB they will apply to contracts for services even if those services are supplied by a named individual and to contracts with employment agencies for the provision of staff) **see HR Policies and Procedures**
- b. Agreements for the acquisition, disposal, or transfer of land or buildings **see Property Policies and Procedures and Delegations to Officers and Members within the Constitution**
- c. Works placed with utility companies where there is no competition required or achievable

- d. Services to be delivered to the Council by the Council's in-house services (i.e. ~~legal/payroll~~Legal/Payroll etc)
- e. Direct payments to customers **see Social Care policies and procedures**
- f. Non-trade payments to third parties – i.e. insurance claims payments, pension payment, statutory payments to public bodies, compensation payments ordered by a court or tribunal **speak to Legal Services prior to agreeing or making any payments to ensure appropriate governance is followed**
- g. Contracts entered into by or on behalf of the Monitoring Officer for the appointment of counsel, solicitors and/or experts in relation to or in contemplation of proceedings, including contracts in relation to alternative dispute resolutions (e.g. mediation, conciliation etc), or where procurement thresholds which are not met otherwise exempt legal services under the Procurement Legislation. **These may only be authorised by the Monitoring Officer or Head of Legal and Governance**<sup>1</sup>; or
- h. Loans ~~to~~from banks or other financial institutions to the Council and investments made in accordance with the treasury management strategy **speak to Finance prior to making any payments of this nature to ensure they align with the Council's policies and any terms are acceptable to the Head of Finance**
- i. Grant agreements – these are not commercial contracts as these are agreements giving financial assistance to an individual or organisation with no supply of goods or services, or execution of works, in return. However, advice from Legal should be sought before entering into a grant agreement to ensure it does not constitute a contract for goods, services or works. Where the Council intends to bid for grant funding, the decision to bid must be approved by the relevant Portfolio Holder as set out in Part 2(4) of the Constitution. Where the Council will be or intends to make grants available to others, Officers must seek the relevant approvals in accordance with the ~~Constitution~~Constitution and must ensure that they take advice from Legal in respect of the terms of the grant and any subsidy control issues that may arise.

### Direct Awards

2.3. The following activities are ~~also~~ excluded from the requirement for competition but other requirements of CSOs and the Procurement Legislation, such as transparency requirements, may still apply:

- a. Purchases made via a purchasing consortium (e.g. ESPO) accessible to local authorities. However, ~~purchases above thresholds set in~~ procurements which are subject to Procurement Legislation will only be excluded if the consortium has let their contract lawfully and in accordance with requirements in force at the time, and the procedures of the relevant Framework are complied with (this includes any requirements around the operation of the Framework and the use of required terms and conditions and pricing models).
- b. Contracts entered into through sub-regional working or collaboration with other

<sup>1</sup> Please note that regardless of the procurement legislation position, no contract for legal advice or support of any kind may be entered into without the explicit approval of the Monitoring Officer and/or Head of Legal and Governance.

local authorities or public bodies, where a competitive process has been followed that complies with the CSOs of the lead organisation, provided always that the ~~collaboration~~lead organisation has let their contract lawfully and in accordance with ~~procurement procedures~~Procurement Legislation in force at the time.

- c. Collaborative proposals for joint working or shared services with other public bodies which the Monitoring Officer has approved as meeting the following conditions:
- The principal activity of the collaborative arrangement is the provision of services back to the participating bodies;
  - The collaborating public bodies when acting together exercise the same kind of control over the service as they would over an in-house service; and
  - There is no independent or private sector partner involved in the collaborative arrangement.
- d. ~~residential~~Residential placements for an individual with a registered care provider of their choice under the Care Act 2014, or
- e. ~~personal~~Personal care services where, either the individual has expressed a view in respect of which provider should be used (and the Council is required to take this view into account) or in the opinion of the appropriate ~~director~~Director, the particular needs of an individual require a specific social care package which is only available from one provider.
- f. In relation to d and e above the ~~director~~Director responsible for the delivery of the services must ensure that adequate records are maintained to demonstrate:
- The contractor meets the relevant national minimum standards;
  - The contract is effectively managed in accordance with the ~~council's~~Council's contract management framework;
  - The reasons for the choice of contractor; and
  - Why these were best possible terms for the ~~council~~Council in the circumstances.
- g. #For clarity, d and e above do not apply to contracts for health care or public health care services where different legislation applies. Speak to Legal and Procurement if you are procuring health care or public health care services to ensure the contractrelevant legislation is subject to the Public-complied with.
- h. Contracts ~~Regulations 2015 (PCR2015), or the Utilities Contracts Regulations 2015 (UCR2015), or the Concession Contracts Regulations 2016 (CCR2016) those regulations~~that are necessary to award because of urgency and that have been specified in the relevant Procurement Legislation

2.4. Procurement Legislation will apply in addition to ~~CSO's~~CSOs. In the event of a conflict, the ~~regulations~~Procurement Legislation will take precedence. Advice should be taken from

Procurement and Legal as to ~~whether the regulations apply~~ the extent to which Procurement Legislation applies before any procurement activity is commenced or contract awards are made.

### 3. OFFICER RESPONSIBILITIES

3.1. Officers in Procurement, Contract Management and Legal are available to advise and assist officers with compliance with ~~these CSO's~~ CSOs.

~~3.2. All those involved in procurement activity~~ All those involved in procurement activity have a duty in law to avoid any form of behaviour that might distort or restrict competition or call into question the award of a contract and have a duty to avoid any form of behaviour that might be perceived to restrict competition or call into question the award of a contract.

~~3.2.3.~~ In order to meet those duties and to safeguard the Council, all Officers and any agents, consultants or partners acting on their behalf MUST:

- Comply with ~~these~~ CSOs
- Comply with Financial Standing Orders
- Obtain necessary internal approvals in line with the ~~Council's~~ Council's policies and procedures as published from time to time to ensure delegated authority is in place **before** commencing activity and ensure that there is budgetary provision before awarding any contract
- Take ~~all necessary~~ legal, financial, and ~~procurement or other professional~~ advice **before** commencing activity and as required throughout the process
- Comply with the Code of Conduct for Officers
- Comply with all ~~procurement legislation~~ Procurement Legislation and any other legally binding requirements specific to their activity
- Comply with all codes of practice, guidance and instructions regarding contractual arrangements issued by the ~~s.151 officer and the Monitoring Officer~~ Council
- Ensure that any agents, consultants, or partners acting with or on behalf of the Council are also compliant
- Check with ~~procurement~~ Procurement whether a suitable Council contract or Framework Agreement already exists **before** seeking to let another contract
- Ensure ~~council~~ Council suppliers have sufficient insurance cover appropriate to the contract in accordance with the ~~council's~~ Council's insurance guidance
- Ensure that where an employee of the ~~council~~ Council or its incumbent supplier/contractor may be affected by any ~~transfer arrangement~~ proposed contract change, Legal and HR advice is taken so that TUPE and related issues are considered **before** proceeding with inviting tenders or quotations
- Keep all required records in accordance with ~~CSO's and Contract Management Framework~~ CSOs and the Council's contract management framework including uploading contract and relevant documentation onto the Council's electronic procurement and contract management system
- Be alert for and identify suspicious bidding patterns taking advice from Legal and Procurement:
- Keep notes of all discussions with Bidders; and
- Ensure there is a procurement plan approved by the ~~s.~~ Section 151 officer Officer for major

contracts and contracts above the applicable ~~legislative~~ threshold where the Procurement Act 2023 applies. In respect of contracts that fall under the Health Care Services (Provider Selection Regime) Regulations 2023 a procurement plan will be required where the value of the contract exceeds the threshold amount for a Light Touch Contract.

**3.3.3.4. Directors must:**

- Ensure their staff comply with CSOs
- Ensure their staff are sufficiently skilled in procurement matters to fulfil the duties of their post and complete any required learning and development
- Ensure all records are kept as required by these CSOs
- Ensure contracts are executed in accordance with CSOs and constitutional delegations and that a copy is retained for safekeeping on the approved Council systems
- Ensure all exemptions requested and approved are recorded in accordance with ~~CSO's~~ CSOs

**3.4.3.5. Executive Directors must:**

- Ensure that any scheme of delegation within their ~~directorate~~ Directorate is clear about responsibilities in respect of CSOs and is lodged with the Monitoring Officer
- Approve any proposals by their ~~directorate~~ Directorate to provide services to external organisations
- Ensure all Directors within their ~~directorate~~ Directorate are sufficiently skilled in procurement matters to fulfil the duties of their post

**3.5.3.6. The ~~S-Section 151 officer~~ Officer shall**

- approve procurement plans for major contracts and contracts above ~~procurement~~ the applicable thresholds in the Procurement Act 2023 or in respect of contracts that fall under the Health Care Services (Provider Selection Regime) Regulations 2023 where the value of the contract exceeds the threshold amount for a Light Touch Contract.

**3.6.3.7. The ~~S-Section 151 officer~~ Officer and Monitoring Officer may**

- With the consent of each other (and only as permitted by ~~these~~ CSOs) waive any provision of CSOs provided the same does not contravene any legal, financial, or regulatory rules
- Delegate their powers under CSOs to another suitably qualified ~~officer~~ Officer(s) – responsibility for consideration of requests to be exempted from CSOs is delegated to the Exemption Panel
- Issue codes of practice, guidance, and instructions on any matters relevant to these CSOs
- Specify the approved learning and development requirements in procurement and contract management matters that ~~officers~~ Officers must complete to meet the minimum competency standards to fulfil their duties under CSOs

**3.7.3.8. The Monitoring Officer shall**

- Approve contract terms and the form of contract to be used
- Ensure that a central register of all major contracts and contracts under seal is maintained
- ~~Arrange~~ Agree the arrangements for the safekeeping of ~~original~~ any physical copies of contracts on ~~council~~ Council premises
- Ensure that a central register is maintained of all exemption applications relating to contracts of £100,000 or more

~~3.8.3.9.~~ **All officers** ~~Officers~~ must comply with the Code of Conduct and must not invite or accept any gift or reward in respect of the award or performance of any contract. It will be for the ~~officer~~ **Officer** to prove that any gift or benefit received was received or approved in line with the Council's policy on gifts and hospitality which can be found ~~at~~ <https://democracy.warwickshire.gov.uk/documents/s21746/Part%2045%20Officers%20Code%20of%20Conduct.pdf> ~~on the intranet~~. Corrupt behaviour is a crime and will lead to disciplinary proceedings and possible dismissal.

~~3.9.3.10.~~ **Officers** must comply with s117 of the Local Government Act 1972 in relation to the declaration of any interest in any contracts and with the provisions of the Bribery Act.

## 4. GENERAL REQUIREMENTS

### 4.1. Classification of Contracts

The following classifications apply for the purposes of CSOs:

- Minor contract – total value less than £100,000 (excluding VAT)
- Ordinary contract – total value of £100,000 or more but below £1,000,000 (excluding VAT)
- Major contract – total value of £1,000,000 or more (excluding VAT)

### 4.2. Valuation of Contracts

The estimated value of a procurement is the total amount payable, ~~not~~ inclusive of VAT, including any form of option and any renewals of the contracts as explicitly set out in the procurement documents.

The estimated value of the contract should be calculated in accordance with the most appropriate of the following and using the value of any similar contracts let previously by the Council as a guide. Estimates shall include VAT, any directly associated/related requirements (e.g. maintenance and support, licences, any additional options, fees, commissions, renewals and extensions) together with any estimated costs of decommissioning, disposals or contract exit to be delivered by the supplier/contractor as part of the contact:

- a. fixed term contracts - the total price expected to be paid during the whole of the contract period, including possible extensions; or
- b. where the contract period or value is uncertain, and for the purposes of compliance with internal delegations, multiply the price expected to be paid each month by 48. However, for the purposes of the Procurement Act 2023 contracts in this category -this will be always be deemed to be over threshold and thus the requirements for above threshold procurements MUST be met; or
- c. if the purchase involves a series of separate transactions for the same type of item,



the 'total value' is the expected aggregate value of all of those transactions

- d. for feasibility studies, it is the value of the scheme or contracts which may ultimately be awarded as a result
- e. The estimated value of a Framework, Dynamic Market or Dynamic Purchasing System shall be the total value of all of the contracts inclusive of VAT that may be awarded against that Framework, Dynamic Market or Dynamic Purchasing System
- f. The value of a Concession Contract shall be the best estimate of the financial value to the Contractor that shall be made over the life of the arrangement.

An ~~officer~~**Officer** **must not** select a method of calculating the value in order to avoid the requirements of ~~these CSOs or procurement legislation~~Procurement Legislation. Where the value cannot be estimated (for example because the duration of the contract is unknown) it will be deemed to over threshold for the purposes of the Procurement Act 2023.

A procurement **must not** be subdivided with the intention of preventing it from falling within ~~CSO's~~CSOs or ~~procurement legislation~~Procurement Legislation. The subdivision of contracts into smaller contracts or lots is only permitted where justified by objective reasons and details of which must be published in the Tender Notice.

Where a procurement will result in contracts being let in "lots" or as a series of separate contracts that are similar or connected, advice **must be** taken from ~~procurement~~Procurement and ~~legal~~Legal. The general rule is that the value in such cases is the total estimated value of all the related lots or contracts.

#### 4.3. What must I do?

All contracts must be let through a competitive process that meets the requirements of ~~Section C~~CSOs unless an exemption has been granted or the arrangement is permitted by ~~these CSOs~~. (see section 2.3). The level of competition and the process required is determined by Procurement Legislation and ~~the Council's Code~~ CSOs. Please note the Exemption Panel may exempt you from internal requirements of Corporate Governance, CSOs. The Exemption Panel CANNOT exempt you from the requirements of Procurement Legislation. It is therefore important that any request for an exemption is sent to the Exemption Panel in sufficient time for an alternative route to be considered if the exemption is not granted.

Adequate resources must be identified to manage the procurement and any contracts awarded.

There must be a procurement plan for all major contracts and for any contract the value of which exceeds the ~~thresholds set by Procurement Legislation~~relevant Procurement Threshold in the Procurement Act 2023 or in respect of contracts that fall under the Health Care Services (Provider Selection Regime) Regulations 2023 where the value of the contract exceeds the threshold amount for a Light Touch

Contract.

No procurement may commence until the procurement plan has been submitted to and approved by the ~~S-~~Section 151 Officer or their nominated representative.

All references to value within CSOs are to value ~~excluding~~inclusive of any Value Added Tax (VAT) applicable to the contract levied by ~~government~~Government **except references to value calculated for the purposes of classifying contracts under CSO 4.1 and the approvals set out in the table at CSO 4.5 where VAT is excluded.**

#### 4.4. Exemptions from CSOs

~~a.~~ Any requirement of the CSOs may be waived with the consent of both the ~~s-~~Section 151 ~~officer~~Officer and the Monitoring Officer (via the Exemption Panel) subject to any legal restraints.

~~b.a.~~ Where However, where a proposed contract or modification is likely to exceed any ~~legislatively binding procurement threshold~~Procurement Threshold in force at that time, ~~no exemption can or would be~~ otherwise breach Procurement Legislation, it will not be authorised ~~if such an exemption would result in a breach of procurement legislation.~~

~~e.b.~~ An application for a waiver (exemption) shall be:

- submitted on the approved 'exemption form' to Procurement
- set out the reason for requiring the waiver; and
- show how the proposal complies with any applicable law, demonstrates propriety, value for money and supports the ~~council's~~Council's objectives.

~~d.c.~~ Where an exemption from competition is necessary because of an unforeseeable emergency involving immediate risk to persons, or property, or that is likely to cause serious disruption to ~~council~~Council services, the relevant Director and Executive Director must submit ~~a report~~an exemption request to the ~~s-~~Section 151 ~~officer~~Officer and the Monitoring Officer (via the Exemption Panel) as soon as practicable following the event. Any contract entered into for these purposes should be the minimum required to remove the immediate risk to persons or property or to reduce the disruption to Council services to a manageable level in compliance with Procurement Legislation.

~~e.d.~~ In cases of urgency if the contract is likely to exceed £1,000,000 then the urgent key decision regime (as set out in the Standing Orders at Part 3(1) of the Council's Constitution) **must** be complied with before any contract is entered into.

#### 4.5. Transparency

- ~~All~~In addition to complying with the transparency requirements under the Procurement Legislation, details of all spend in excess of £500 must be published on the ~~council's~~Council's website and in addition, contracts over £5000 must also be published on the ~~council's~~Council's website.



**5. Framework Agreements**

- There are various publication and notice requirements under the Procurement Legislation which are required not just during a procurement, but during pre-procurement and contract management stages as well as at the end of a contract. Only officers from Procurement and Contract Management are authorised to publish such notices and therefore it is important that Officers involved in procurements or in the management of contracts engage with colleagues in Procurement and Contract Management on a regular basis to ensure these requirements are complied with.
- The Procurement Act 2023 contains various notice and publication requirements including the following:

<p><u>For contracts with a contract value above £30k (including VAT) but below the relevant Procurement Threshold</u></p>	<p><u>A Below-Threshold Tender Notice may be required if the Council is advertising for the purpose of inviting tenders; and</u></p> <p><u>A Below-Threshold Contract Details Notice will be required as soon as reasonably practicable after entering into the contract.</u></p>
<p><u>For contracts with a total value at or above the relevant Procurement Threshold, various notices and publications may be required at the various stages including:</u></p>	<p><b><u>Planning Stage</u></b></p> <p><u>Pipeline Notice</u>  <u>Planned Procurement Notice</u>  <u>Preliminary Market Engagement Notice</u>  <u>Dynamic Market Notice</u></p> <p><b><u>Tender Stage</u></b></p> <p><u>Tender Notice</u>  <u>Transparency Notice</u>  <u>Procurement Termination Notice</u></p> <p><b><u>Award Stage</u></b></p> <p><u>Assessment Summary</u>  <u>Contract Award Notice</u>  <u>Publication of KPIs</u></p> <p><b><u>Contract Commencement Stage</u></b></p> <p><u>Contract Details Notice</u>  <u>Payments Compliance Notice</u>  <u>Contract Change Notice</u></p>

	<u>Contract Performance Notice</u> <u>Contract Termination Notice</u>
<u>Any payment of more than £30k made by the Council under a contract</u>	<u>Specified information must be published in respect of such payments</u>

- For contracts that are subject to the Health Care Services (Provider Selection Regime) Regulations 2023 there are different notice and publication requirements. and again - Only officers from Procurement and Contract Management are authorised to publish these. It is therefore important that Officers involved in procurements or in the management of these contracts engage with colleagues in Procurement and Contract Management on a regular basis to ensure the relevant requirements are complied with.

#### 4.6 Frameworks

- The term of a ~~framework agreement~~ Framework procured by the Council under the provisions of the Procurement Act 2023 must not exceed four years without the written consent of the Monitoring Officer. ~~Such~~ unless it is an Open Framework or a Light Touch Contract. Monitoring Officer consent will only be given where there is a legally permissible justification for a ~~framework~~ Framework in excess of four years and it considered to be in the best interest of the Council from a strategic planning perspective.
- The term of an Open Framework must not exceed eight years unless it is awarded to only one supplier in which case the maximum term is four years. An Open Framework must provide for the award of a Framework at least once during the initial three-year period and thereafter once within each five year period following the date of award of the second Framework in the scheme.
- The term of a Framework subject to the Health Care Services (Provider Selection Regime) Regulations 2023 must not exceed four years without the written consent of the Monitoring Officer. Monitoring Officer consent will only be given where there is a legally permissible justification for a Framework in excess of four years.
- Contracts ~~based on framework agreements~~ awarded under Frameworks may be awarded by either:
  - Applying the terms laid down in the ~~framework agreement~~ Framework (where ~~such~~ the core terms are sufficiently precise to cover the particular call-off and permit it and there is an objective mechanism for supplier selection, or it is a single supplier Framework) this may be done without reopening competition); or
  - Where the terms laid down in the ~~framework agreement~~ Framework are not precise enough (or do not permit direct awards) by holding a mini competition in accordance with the terms of the particular ~~framework~~ Framework or in accordance with the following procedure where the ~~framework~~ Framework terms are unclear:

- Inviting the organisations within the ~~framework agreement~~Framework who are capable of delivering the contract to submit written tenders;
- Fixing a time limit which is sufficiently long to allow tenders for each specific contract to be submitted, taking into account factors such as the complexity of the subject of the contract; and
- Awarding each contract to the tenderer who has submitted the best tender on the basis of the award criteria set out in the ~~framework agreement~~Framework.
- ~~Observing a~~Consider observing a voluntary standstill period before finalising the award where applicable

#### 4.7 Collaborative and Partnership Arrangements

- In order to secure value for money the ~~council~~Council may enter into collaborative procurement arrangements. The ~~authorised officer~~Authorised Officer must consult the Monitoring Officer and the ~~Service Manager, Contract Management~~Head of Commercial and AssuranceContracts where the purchase is to be made using collaborative procurement arrangements to ensure that all legal requirements are met and the Council has vires to undertake the arrangement.
- Collaborative and partnership arrangements include but are not limited to examples of joint working where one partner takes the lead and awards contracts on behalf of the other partners, long-term collaborative partnerships, pooled budgets, and joint commissioning.
- Collaborative arrangements between public bodies for shared services where the aim of the arrangement is for the participating bodies to be provided with services by each other or through a Teckal company rather than by an external provider may fall outside the need for competition if the conditions in CSO 2.2(e)~~(iii)~~3(c) can be met.

#### 4.8 Record Keeping & Conflicts Assessment

- a. The ~~authorised officer~~Authorised Officer shall ensure that the following records in relation to successful tenders and awarded contracts are kept in the ~~council's~~Council's electronic procurement and contract management system for at least 7 years following the end of the contract if the contract is signed and 15 years if the contract is under seal:
  - A copy of the executed contract;
  - Any relevant correspondence or documents which may have a bearing on how the contract is interpreted;
  - A record of any exemptions exercised and the reasons for them;
  - A copy of the tender documents and responses received (including award criteria and evaluation criteria) and assessment summaries;
  - A copy of the Contract Signature Form;
  - Confirmation of authority to award;
  - Procurement documentation including any relevant notices confirming intended process, tender and award as required to be published in line with any relevant ~~procurement legislation from time~~Procurement Legislation;

- Information relating to ~~time in force~~ the decision-making processes and steps undertaken as required by any relevant Procurement Legislation.
- b. The ~~authorised officer~~ Authorised Officer shall ensure that unsuccessful tenders and quotes are kept in the ~~council's~~ Council's electronic procurement and contract management system for a period of at least two years from the commencement of the contract to which they relate.
- c. ~~Originals~~ Physical originals of signed contracts or deeds should be returned to Legal for secure storage unless otherwise agreed with the ~~Strategy and Commissioning Manager for~~ Head of Legal and ~~Democratic. Certified~~ Governance. Scanned copies of contracts or deeds will be provided to the relevant service areas once executed and certified copies can be provided where requested. Where the contract has been executed electronically using DocuSign, a copy of the completed document will be held by Legal.
- d. The Authorised Officer shall ensure that conflicts assessment in respect of any actual, potential or perceived conflict of interest is undertaken where a procurement is identified and is kept under review until completion or termination of the contract. This shall include taking all reasonable steps to ensure that a conflict of interest does not put a supplier at an unfair advantage or disadvantage.

## 6.5. STEPS PRIOR TO PURCHASE

### 6.1.5.1. How do I start a procurement?

#### Initial Considerations

As the Authorised Officer, you should familiarise yourself with the requirements of ~~CSO's~~ CSOs and ensure you have the approvals required by ~~paragraph~~ CSO 4.5 below. The Council must advertise, procure, and award contracts in accordance with all ~~procurement legislation~~ Procurement Legislation and statutory guidance in force from time to time.

Additional rules ~~will~~ may apply to any procurement subject to external funding e.g. by ~~EU or~~ central ~~government~~ Government bodies. Where grant funding of any kind is used to fund a procurement advice must be taken from Legal ~~Services~~ to ensure compliance of the proposed activity with the conditions of the grant.

If during the course of a procurement an issue arises upon which these ~~CSO's~~ CSOs are silent the matter shall be reported to the ~~Monitoring~~ Monitoring Officer or their nominated representative for determination.

Procurements ~~above the Procurement Threshold will always~~ must so far as practicable be conducted electronically ~~using~~ and where required by the Procurement Legislation, must use the Central Digital Platform via the Council's approved ~~e-tendering~~ electronic procurement and contract management system and must be

conducted by the Procurement Team, unless the Service Manager – Contract Management and Quality Assurance Head of Commercial and Contracts or their nominated representative(s) give(s) prior consent in writing. Procurements below the Procurement Threshold will be conducted using an appropriately robust process. The relevant notices advertising the opportunity must be published in line compliance with the provisions of CSO's and confirmed as acceptable by the transparency requirements of the relevant Procurement Legislation. Only officers in Procurement Team or Contract Management are authorised to publish such notices. Authorised Officers must therefore engage with Procurement and Contract Management throughout the life of the contract. Regulated Below-Threshold Contracts will be let in compliance with the applicable provisions of the Procurement Legislation and again. Authorised Officers must engage with Procurement and Contract Management to ensure that all requirements of CSOs and the Procurement Legislation are complied with.

### **Commencing the procurement**

In order to commence the process, you must be the Authorised Officer and you must take advice from and engage with Procurement and Contract Management on the following:

- Pre-procurement;
  - Options appraisal
  - Market Preliminary market engagement and
  - Procurement strategy
- Strategic sourcing
- Spend and supplier intelligence and development and management of opportunities for innovation in supply chain
- Transactional, operational, and administrative procurement activity and the use of the electronic tendering system
- Notice requirements under the Procurement Act 2023 including Preliminary Market Engagement and Tender Notice.
- Notice requirements under the Health Care Services (Provider Selection Regime) Regulations 2023.
- How the contract will be managed including compliance with any notice requirements of the Procurement Legislation during the life of the contract.

**Note that only officers in Procurement and Contract Management are authorised to publish notices and Authorised Officers/Officers should not attempt to do this themselves.**

**The Authorised Officer must** also take advice from Legal ~~Services~~ on

- All legal, regulatory, and constitutional aspects of the procurement process; and
- The content and form of any contract before it is made available to bidders (whether or not a formal tender is being carried out) and/or to be entered into on behalf of the Council – no contracts should be issued without approval of the terms by Legal

### **6.2.5.2. Necessary Approvals**

- a. **Before a procurement is commenced and/or a contract is awarded**, all contracts and activity **must** be appropriately authorised in accordance with the ~~council's~~Council's scheme of delegation and project governance framework (where applicable) and in line with the table below.
- b. Any proposal to let a contract with an estimated total value of between **£1,000,000 and £3,000,000 (excluding VAT)** can ~~only~~**ONLY** be approved by the ~~deputy leader~~Deputy Leader, the ~~leader~~Leader or ~~cabinet~~Cabinet (see table below). Authority must be obtained before a procurement commences.
- c. Any proposal to let a contract with an estimated total value of **more than £3,000,000 (excluding VAT)** can ~~only~~**ONLY** be approved by the ~~cabinet~~Cabinet or the ~~leader~~Leader (see table below). Authority must be obtained before a procurement commences.
- d. The approvals required are set out in the table below. They apply to all contracts regardless of the procurement process followed. They also apply to contracts awarded from ~~framework~~Framework arrangements including those let using an ESPO ~~framework~~Framework or an internal ~~council~~Council procured ~~framework~~Framework. Where proposing to use a ~~framework~~Framework arrangement you **must** check with Legal ~~Services~~ and/or Procurement whether (a) the ~~framework~~Framework is valid and properly procured, (b) able to be utilised for the purpose proposed and (c) that your proposed process meets the requirements of the ~~framework~~Framework in question. Failure to do so may leave the Council at risk of a challenge and lead to delays and failures in service provision.
- ~~e.~~ Any major contract **must** comply with the ~~K~~key ~~D~~Decision regime. When commissioning major contracts, the ~~K~~key ~~D~~Decision is the proposal to begin a procurement process for a particular contract. Appropriate approvals **must** be obtained at that stage and not wait until award. Key Decisions being taken by Members MUST be on the Forward Plan maintained by Democratic Services on the Council's committee management systems (Modern.gov) at least 30 days prior to the decision being taken. Liaise with Democratic Services. Key Decisions being taken by Officers must be taken in accordance with the Constitution.
- ~~e.f.~~ The subsequent decision to award the major contract to a specific contractor will not be a ~~K~~key ~~D~~Decision provided the value of the contract does not vary above the original estimated value by 10% or more.
- ~~f.~~ All contracts should be in writing.
- g. ~~The~~ and the terms and conditions of any contract must be approved in accordance with the table below.
- h. All contracts must be submitted to the appropriate person for signature in accordance with the table below.

- i. The written formalities should be completed **before** the contract is due to start.
- j. Letters of intent will only be used in exceptional circumstances and where approved by the ~~s151~~Section 151 Officer in consultation with the Monitoring Officer.

Total Contract Value	Column 1:	Column 2:	Column 3:	Column 4:
	Authority to start process	Approval of Contract Terms	Authority to award contract	Contract Signing
<b>Major Contracts</b>  <b>More than £3,000,000 (excluding VAT)</b>	Cabinet or <del>leader</del> <u>Leader</u> .  <b>This will be a key decision.</b>  This authority will also generally give the Executive Director delegated authority to award the contract.	Monitoring Officer unless standard terms and conditions have already been approved as suitable by <del>legal services</del> <u>Legal</u> .	Generally covered by column 1. If bids exceed the original estimates by 10% or more then <u>you</u> <del>must</del> report back to <del>leader</del> <u>Leader</u> or <del>cabinet</del> <u>Cabinet</u> before award.	Send to Monitoring Officer for signing / sealing by designated officers. The relevant authority must be provided at the same time.
<b>Major Contracts</b>  <b>£1,000,000 or more up to £3,000,000 (excluding VAT)</b>	Leader, <del>deputy leader</del> <u>Deputy Leader</u> or <del>cabinet</del> <u>Cabinet</u> .  <b>This will be a key decision.</b>  This authority will also generally give the Executive Director delegated authority to award the contract.	Monitoring Officer unless standard terms and conditions have already been approved as suitable by <del>legal services</del> <u>Legal</u> .	Generally covered by column 1. If bids exceed original estimates by 10% or more then report back to <del>leader, deputy leader</del> <u>Leader, Deputy Leader</u> or <del>cabinet</del> <u>Cabinet</u> before award.	Send to Monitoring Officer for signing / sealing by designated officers. The relevant authority must be provided at the same time.
<b>Ordinary Contracts</b>  <b>£500,000 or more but below</b>	Executive Director or person authorised in writing by him/her.	Monitoring Officer unless standard terms and conditions have already been approved as suitable by <del>legal services</del> <u>Legal</u> .	Same as column 1.	Executive Director or above.

<p><b>£1,000,000_</b> <b><u>(excluding VAT)</u></b></p>				
<p><b>Ordinary Contracts</b></p> <p><b>£100,000 or more but below £500,000</b> <b><u>(excluding VAT)</u></b></p>	<p>Director or third tier manager <u>(Head of Service)</u> or person authorised in writing by him/her.</p>	<p>Monitoring Officer unless standard terms and conditions have already been approved as suitable by <del>legal services.</del><u>Legal.</u></p>	<p>Line manager or above of person who gave authority to start the process (column 1).</p>	<p>Director or above.</p>
<p><b>Minor Contracts</b></p> <p><b>Below £100,000</b> <b><u>(excluding VAT)</u></b></p>	<p>Cost centre manager or above.</p>	<p><del>Purchase</del><u>The Council's standard purchase</u> order terms can be used unless the contract is for works, software, or the services of a consultant, in which case <del>legal or procurement advice must be taken.</del><u>Legal or Procurement advice must be taken and appropriate terms agreed. Officers are required to speak with Legal to ensure that they are using the most up to date standard terms. Supplier terms are NOT TO BE USED unless approved by Legal</u></p>	<p>Line manager or above of person who gave authority to start the process (column 1).</p>	<p>Third tier manager <u>(Head of Service)</u> or cost centre manager or above.</p>

### The Contracting Process

6.3.5.3. This section sets out in more detail the requirements to be met and steps to be followed when dealing with a specific contract.



6.4.5.4. Before beginning a purchase, ~~authorised officer~~ Authorised Officer must:

- a. Assess the need for the expenditure;
- b. Define the objectives of the purchase;
- c. Calculate the total value;
- d. Make sure that the appropriate approval is in place to start the process (including where required by the Constitution approval by the relevant member body) including adherence to the requirements of the Capital Project framework or Change Programme framework
- e. Where necessary make sure that a procurement plan is in place
- f. Make sure that the budget is available and approved to cover the **whole-life financial commitment** being made (including any internal and external charges or fees);
- g. Make sure the forward plan requirements have been followed where the purchase is a key decision;
- h. Ensure sufficient legal, procurement, contract management, finance, risk management and technical (such as ICT or Business Intelligence) support is available throughout the entire procurement process;
- i. Ensure sufficient resources will be available (i.e. people with sufficient skills and capacity) to manage the contract once it has been let;
- j. Ensure the ~~council's~~ Council's requirements for data security and information governance (including but not limited to ~~the General~~ data protection and the use of Artificial Intelligence) are met including ensuring that Data Protection ~~Regulation~~ are met Impact Assessments and System Specific Risk Assessments are carried out where required;
- j.k. Ensure the Council's requirements in relation to equalities are met, including, where appropriate, ensuring an Equality Impact Assessment has been carried out and have due regard to Armed Forces Covenant entered into by the Council;
- k.l. Consider, when commissioning services, whether these could improve the economic, social, and environmental wellbeing of the area (social value).
- m. Consider all options available including utilising existing contracts, market and financial analysis as part of the approval to procure document and considering value for money, quality and benchmarking.
- n. Add details of the upcoming procurement or re-procurement to the Procurement Pipeline and ensure that entries are kept up to date
- o. Consider and have regard to the Procurement Objectives and Principles as set out in CSO 1.8.

6.5.5.5. For major contracts or ~~contract~~ contracts above the Procurement Threshold:

- a. Ensure that the matters at ~~4.1~~ CSO 5.2 have been complied with; ~~and~~
- b. Engage with ~~procurement~~ Procurement before any activity is undertaken to ensure compliance with ~~procurement legislation~~ Procurement Legislation;
- c. Consider any lessons learnt report from previous relevant tender processes;
- d. Produce a business case for approval by the appropriate body;
- e. Submit a fully completed procurement plan for approval by the ~~s.151 officer~~ Section 151 Officer (via Procurement) in advance;
- f. Carry out an options appraisal in conjunction with ~~legal~~ Legal and ~~procurement~~ Procurement to decide the best way to achieve the purchasing objectives, including internal or external sourcing, partnering, and collaborative

- procurement arrangements with another public authority or ~~government~~Government department;
- g. Consult users where appropriate about the proposed procurement, contract standards, performance, and user satisfaction monitoring;
  - h. Consult the market where appropriate and permitted by legislation in accordance with these CSOs and the advice of ~~procurement~~Procurement;
  - i. Assess the risks and how to manage them;
  - ~~j.~~j. Agree ~~with the Monitoring Officer~~, the approved form of contract to be used or if none, the terms and conditions that are to apply to the proposed contract with Legal;
  - ~~j-k.~~j-k. Set a minimum of 3 KPIs where the contract value exceeds £5m (including VAT) and assess the performance of the supplier against the KPIs annually and on contract termination.

~~6-6.5.6.~~6-6.5.6. The **Public Services (Social Value) Act 2012** requires the Council to consider at the pre-procurement stage:

- How the proposed procurement might improve the economic, social, and environmental well-being of the area;
- How the Council may act with a view to securing that improvement in conducting the process of the procurement; and
- Whether it should undertake any community consultation on the above.

Officers **must** consult the Procurement ~~Team~~and Contract Management Teams for advice on specifying requirements under Social Value and how to evaluate this as a part of any bids received.

### **Pre-Tender Market Research and Consultation**

For all procurements (except Regulated Below-Threshold Contracts which have been awarded in accordance with a Framework) the Authorised Officer must also have regard to small and medium-sized enterprises that may face particular barriers to participation and to consider whether such barriers can be removed or reduced. These may include tailored market engagement for new market entrants, appropriate conditions of participation to ensure suppliers have the technical capacity to perform the contract, not requiring insurances to be put in place before the contract is awarded and avoiding short tender timescales

### **Preliminary market engagement**

~~6-7.5.7.~~6-7.5.7. Authorised Officers may ~~consult~~undertake preliminary market engagement with potential suppliers and other persons in the market prior to the issue of an invitation to tender ~~about the nature, level and standard of the supply, contract packaging and other relevant matters for the purpose of developing the Council's requirements and approach to the procurement -in consultation with the Procurement.~~ Records must be kept of this consultation and any notices published.

~~6-8.5.8.~~6-8.5.8. Advice should be taken from ~~procurement and/or legal services~~Procurement before any preliminary market engagement activity.

5.9. When conducting market engagement, Authorised Officers should consider developing the service requirements and approach to procurement, designing a procedure, conditions of participation or award criteria. This shall include preparing the Tender Notice and associated tender documents and the contractual terms.

~~6.9.5.10.~~ Authorised Officers must not, once any ~~pre-tender~~preliminary market ~~research~~engagement has concluded or consultation period has ended, seek or accept technical advice on the preparation of the actual invitation to tender or quotation from anyone who may have a commercial interest in bidding for the contract as this may result in a conflict of interest arising and prejudice the equal treatment of all potential tenderers and distort competition.

### Prevention of Corruption

~~6.10.5.11.~~ The following clause (or suitable equivalent wording approved by Legal ~~Services~~) must be included in every ~~council~~Council contract:

*"The Council may terminate this contract and recover ~~all its~~ from the Contractor the amount of any loss if ~~resulting from the termination if at any time it becomes known to the Council that~~ the Contractor, its employees, or anyone acting on the Contractor's behalf ~~do~~, whether with or without the knowledge of the Contractor, does any of the following things:*

- a. Offers, gives, or agrees to give to anyone any inducement or reward in respect of this or any other Council contract (even if the Contractor does not know what has been done); or*
- b. Favoured or discriminated against any person in relation to this Contract or any other contract with the Council; or*
- ~~b.c.~~ Commits an offence in relation to any contract with the Council under the Bribery Act 2010 or s117(~~23~~) of the Local Government Act 1972; or*
- d. Communicates to any person other than the Council the details of the Contractor's proposed tender (other than in confidence in order to obtain quotations necessary for the preparation of the Contractor's tender); or*
- e. Enters into any agreement or arrangement with any person or body that they shall refrain from tendering or as to the amount of any proposed tender;*
- ~~e.f.~~ Commits any fraud in connection with this or any other Council contract whether alone or in conjunction with Council members, Contractors, or employees.*

*Any clause limiting the Contractor's liability shall not apply to this clause".*

### ~~7.6.~~ CONDUCTING A PURCHASE ~~OR DISPOSAL~~

### 7.1.6.1. Purchasing – Competition Requirements

- 6.1.1 ~~Where~~Where a proposed contract is subject to the Procurement Act 2023 and the total value for a purchase is within the values in the first column below, the award procedure in the second column must be followed as a minimum.

Total Value (exclusive of VAT)	Award Procedure
Minor – below £25,000	One quotation confirmed in writing.
Minor - £25,000 to below £100,000	Three written quotations of which at least one should be local if appropriate. Local means has a place of business in Warwickshire.
Ordinary & Major - £100,000 or more	Invitation to tender to at least three tenderers. If the contract value exceeds the applicable <del>EU</del> Procurement Threshold the procedure must also be <del>EU</del> -compliant with Procurement Legislation

- 6.1.2 Where a proposed contract is subject to the Health Care Services (Provider Selection Regime) Regulations 2023 advice must be sought from Procurement as to the appropriate award procedure.

- 6.1.26.1.3 ~~The authorised officer~~Authorized Officer shall take appropriate advice from ~~procurement~~Procurement to determine the method of conducting any purchase that exceeds threshold set within Procurement Legislation in force from time to time.

### 7.2.6.2. Setting Standards and Award Criteria

- Before seeking bids or commencing any procurement activity, the ~~authorised officer~~Authorized Officer must define the selection and award criteria that are appropriate to the purchase ensuring that they are designed to secure an outcome giving value for money for the ~~council~~Council.
- ~~Authorised officers~~When setting the award criteria Authorized Officers need to ensure that the criteria:
  - a. relate to the subject matter of the contract;
  - b. do not contain Non-Commercial Considerations unless this is permitted by the Procurement Legislation;
  - c. are sufficiently clear, measurable and specific;
  - d. comply with the rules of technical specifications in the Procurement Act 2023;
  - e. comply with the Procurement Objectives and Principles as required under the Procurement Legislation; and
  - f. are a proportionate means of assessing tenders, having regard to the nature, complexity and cost of the contract.
- Authorized Officers are responsible for ensuring that all tenderers for a contract are suitably assessed. The assessment process shall establish that all potential tenderers have sound

economic and financial standing and sufficient technical ability and capacity to fulfil the requirements of the ~~council~~Council.

- The criterion for award of a contract shall be the “most ~~economically~~ advantageous”. ~~This must be further defined tender~~ (MAT). ~~The “most advantageous tender” is the tender that the Council considers satisfies the Council’s requirements described in the Tender Notice and associated tender documents, and best satisfies the award criteria when assessed by reference to sub-criteria which may refer only to relevant considerations. These may include price, service, quality of goods, running costs, technical merit, previous experience, delivery date, cost effectiveness, quality, relevant environmental considerations, aesthetic and functional characteristics (including security and control features), safety, after-sales services, technical assistance, social value~~ the assessment methodology and ~~any other relevant matters~~. where there is more than one criterion, the relative importance of the criterion.
- ~~7.3. Selection and award criteria must not include non-commercial considerations and must comply with procurement legislation at the time the procurement commences~~
- Any shortlisting exercise must be carried out in accordance with the published ~~terms of tender~~Tender Notice or other relevant notice and have regard to the financial and technical standards relevant to the contract and the published selection and award criteria.

7.4.6.3. **Contract Formalities, Signing and Sealing**

a. Contracts shall be signed by the council as follows:

<p>Major Contracts:</p>	<p>By affixing the common seal of the <del>council</del><u>Council</u> and <del>witnessed</del><u>authenticated</u> (signed) by one <del>designated officer</del><u>Designated Officer</u></p> <p>OR</p> <p>where there is no seal affixed, signed by at least two <del>designated officers</del><u>Designated Officers</u>.</p>
<p>Ordinary Contracts:</p>	<p>By affixing the common seal of the <del>council</del><u>Council</u> and <del>witnessed</del><u>authenticated</u> (signed) by <del>an</del> <del>designated officer</del><u>one Designated Officer</u></p> <p>OR</p> <p>where the contract value is between £500,000 and £999,999 (<u>excluding VAT</u>) and there is no seal affixed, signed by <del>a</del><u>one Designated Officer or an</u> Executive Director or above</p> <p>OR</p>

	where the contract value is between £100,000 and £499,999 ( <b>excluding VAT</b> ) and there is no seal affixed, by <u>one Designated Officer or</u> a Director or above.
Minor Contracts:	By affixing the common seal of the <del>council</del> <u>Council</u> and <del>witnessed</del> <u>authenticated</u> (signed) by one <del>designated officer</del> <u>Designated Officer</u>  OR  Signed by third tier manager, <u>(Head of Service)</u> , cost centre manager or above.

b. A contract **must** be sealed where:

- The ~~council~~Council wishes to enforce the contract more than six years after its end; or
- The price paid or received under the contract is nominal and does not reflect the value of the goods or services; or
- Where Legal has indicated advised that the contract should be executed in this way.

Or

- c. All contracts must be concluded formally in writing before the supply, service or construction work begins, except in exceptional circumstances, and then only with the written consent of the Monitoring Officer.
- d. The ~~authorised officer~~Authorised Officer is responsible for securing signature of the contract and must ensure that the person signing for the other contracting party has authority to enter into a legal agreement. Speak to Legal for advice where needed
- e. The Council will undertake signing of contracts ~~via docu~~using Council-approved electronic document signing software (currently as DocuSign) where practicable. Sealing must be done physically, and seals ~~witnessed~~authenticated by ~~an appropriately authorised officer~~a Designated Officer. Legal ~~Services~~ maintains the record of ~~authorised officers~~Designated Officers. All documents sealed must be recorded within the register held by Legal ~~Services~~.

#### 7.5-6.4. Contract Documents

- a. All contracts, irrespective of value, shall clearly specify:

- What is to be supplied and when;
- Any quality standards or requirements that apply;
- Risk and liability apportionment between the parties;
- Where applicable, appropriate provision around use of and safety of data
- The price to be paid, how and when;
- Appropriate performance indicators; and/or KPIs (including where required by Procurement Legislation);
- Clear dates and times for performance;
- ~~Liquidated damages~~ Any financial liabilities (where relevant); and
- ~~termination~~ Termination provisions.

- b. The Monitoring Officer must approve the terms and conditions of all contracts either as a standard form contract for particular types of matters or through a specific approval. This clause is complied with by taking appropriate and following advice from ~~Warwickshire~~ Legal Services on the terms that are acceptable, and (in respect of standard terms, currently approved).

#### 7.6.6.5. **The Appointment of Consultants to Provide Services**

- A Consultant is someone engaged for a specific length of time to work (or provide a service) to a defined project brief with clear outcomes to be delivered, and who brings specialist skills or knowledge to the role. A ~~consultant~~ Consultant is not an employee, a fixed term employee, a locum, an agency, or a temporary worker or someone engaged to provide general day to day activities within a service.
- Contracts for consultancy services are subject to the same competition requirements as any other type of contract and must be procured in accordance with ~~these~~ CSOs.
- The engagement of a ~~consultant~~ Consultant shall follow the agreement of a brief that adequately describes the scope of the services to be provided, the total cost to be paid and any stage payment arrangements. The engagement shall also be subject to completion of a contract.
- Self-employed ~~consultants~~ Consultants must not fall within the off- payroll working rules i.e. IR35. It is the responsibility of the ~~authorised officer~~ Authorised Officer to ensure that all tax and legal advice regarding the terms of any consultancy appointment is taken in advance of the procurement activity and actioned. This shall also include completing an IR35 assessment in accordance with Council policies.
- Records of consultancy appointments shall be maintained in accordance with ~~these~~ CSOs and entered on the Council's electronic procurement and contract management system as for any other contract.
- Consultants shall be required to provide evidence of and maintain professional indemnity insurance policies to the satisfaction of the ~~council's~~ Council's insurance team for the periods specified in the respective agreement.

#### 7.7.6.6. **Invitations to Tender / Quotations**

- All invitations to tender or quotation must:



- Specify the goods, service or works that are required, together with the terms and conditions of contract that will apply; and
  - State that the ~~council~~Council is not bound to accept any quotation or tender.
- **All tenderers invited to tender or quote must be issued with the same information at the same time and subject to the same conditions. Any supplementary information must be given on the same basis.**
- All invitations to tender shall include:
    - Clear instructions on how and where tenders are to be submitted, together with the date and time by which they are to be received;
    - A specification that describes the ~~council's~~Council's requirements in sufficient detail to enable the submission of competitive offers;
    - A description of the award procedure;
    - Full details about how the bids will be assessed, including any weighting and sub-criteria that apply and any “pass mark” for any stage of the procurement;
    - Information on the ~~council's~~Council's policies as appropriate, e.g.:
      - i. ~~+~~Equalities;
      - ii. ~~+~~Complaints;
      - iii. ~~+~~Sustainability
  - All invitations to tender shall state that any tender received after the date and time stipulated in the invitation to tender may be rejected and not considered.
  - All invitations to tender shall include requirements for tenderers to:
    - Declare that the tender content, price or any other figure or particulars concerning the tender have not been disclosed by the tenderer to any other party (except where such a disclosure is made in confidence for a necessary purpose e.g. legal, financial advice etc); and
    - Complete fully and sign a form of tender and certificates relating to canvassing and non-collusion.
    - Submit tenders to the ~~council~~Council on the basis that they are compiled at the tenderer's expense.
- The ~~council's~~Council's approved ~~E-tendering~~electronic procurement and contract management system linked with the Central Digital Platform and Find a Tender Service must



be used for all competitive procurement activity unless agreed ~~otherwise~~ by the ~~Service Manager, Contract Management and Assurance~~ Head of Commercial and Contracts or otherwise ~~approve~~ approved by these CSOs.

- No tender will be considered unless submitted in accordance with the conditions of participation included within the invitation to tender / quote.

#### 7.8.6.7. Submission, Receipt and Opening of Tenders

- Tenderers must be given an adequate period in which to prepare and submit a tender, consistent with the complexity of the contract. Procurement ~~legislation~~ Legislation lays down specific time periods and processes that must be followed for procurements above the published ~~thresholds~~ Procurement Thresholds at the time the procurement commences. Regulated Below thresholds contracts ~~Threshold Contracts~~ must still be treated in accordance with this ~~clause~~ CSO 12.1
- All tenders must be returned in accordance with the system requirements of the ~~council's E-tendering~~ Council's electronic procurement and contract management system and/or as required in any specific documentation published.
- Tenders received by fax or electronic means outside of the ~~council's e-tendering~~ Council's electronic procurement and contract management system (e.g. email) must be rejected, save that quotations for minor contracts under £10,000 may be received by email.
- All tenders are to be opened at the same session after the period for their submission has ended. Tenders must be opened in the presence of at least two ~~officers~~ Officers.
- The arithmetic in compliant tenders must be checked. If arithmetical errors are found they should be notified to the tenderer, who should be requested to confirm their tender.

#### 7.9.6.8. Clarification Procedures and Post-Tender Negotiations

- Providing clarification of matters within or related to an invitation to tender to potential or actual tenderers ~~or~~ and seeking clarification of a tender submitted prior to the closing date whether in writing or by way of a meeting is permitted.
- However, discussions with tenderers after submission of a tender and before the award of a contract with a view to obtaining adjustments in price, delivery, or content (i.e. post tender negotiations) ~~must be the exception rather than the rule. In particular, such negotiations must not be conducted~~ without their only permitted where it is compliant with Procurement Legislation. The agreement of the Monitoring Officer is required.
- If post tender negotiations appear necessary after a single stage tender or after the second stage of a two-stage tender, then you should ~~take legal advice~~ consult with Legal on whether ~~negotiations are permissible. Normally such negotiations should be undertaken with all those who have met the selection criteria in the original process. During negotiations, the council's requirements set out in the original procedure should not be substantially altered and no material change should be made to the risk profile of the contract. The prior~~

~~approval of the Monitoring Officer is required to any proposal to negotiate in other circumstances and to what extent negotiations are permissible.~~

#### 7.10-6.9. Evaluation, Award of Contract and Debriefing Tenderers

- Apart from the debriefing required or permitted by ~~these~~ CSOs, the confidentiality of quotations, tenders and the identity of tenderers must be preserved at all times and information about one tenderer's response must not be given to another during the evaluation process.
- Quotations and tenders must be evaluated in accordance with the award criteria. During this process, ~~authorised officers~~ **Authorised Officers** shall ensure that submitted tender prices are compared with any pre-tender estimates and that any significant differences are examined and resolved satisfactorily, and that appropriate approvals are sought internally where tendered costs exceed the expected prices provided for in the approval to procure.

~~For ordinary and major contracts authorised officers-~~

- Authorised Officers must advise all tenderers in writing of their award decisions. ~~For contracts that are subject to Public and a Contract Regulations or other UK applicable procurement legislation this Award Notice must be published prior to contracts being entered into. Only officers in the form of intention Procurement are authorised to award letters (award notification letters) that are issued simultaneously to all tenderers advising them of the intention to award the contract to the successful tenderer and providing them~~ **publish this notice and therefore Authorised Officers must engage with Procurement throughout the process.** The Contract Award Notice will state that the Council intends to enter into a 'contract and triggers a mandatory standstill period' period of at least ~~158~~ **working days (10 days if notification letters are sent by the council's approved E-tendering system) in which provides unsuccessful tenderers with an opportunity** to challenge the decision before the contract award is confirmed.

~~For contracts that are subject to advertising and publication requirements within~~

~~7.11. Where required by the Procurement Legislation, the council's 'intention to award notification letter' standard template must where there has been a competitive tendering procedure each tenderer must be used, which includes the following debriefing provided with an Assessment Summary prior to the Contract Award Notice being published. Assessment Summaries should include the following information:~~

- ~~• How the award criteria were applied~~
- ~~• The name of the successful tenderer(s);~~
- ~~• The score of the tenderer, together with the score of the successful tenderer;~~
- **Details of the reason for the decision** required by the Procurement Regulations; ~~including the characteristics and relative advantages of the successful tender; and:~~
  - Confirmation ~~Award~~ criteria including title of each criterion and its weighting
  - Summary of assessment methodology
  - Scores and reasons for each criterion and sub-criterion as the date before

~~which~~total score

- ~~Reasons why the council will~~tenderer was not ~~enter into~~awarded the score immediately above for that criterion except where they have received highest score given (i.e. what could the tenderer have done to score more highly)
- Explanation of how the tender was assessed against each different ~~strand~~ criteria
- Explanation for that score by reference to relevant information in the tender and includes sub-criteria

~~7.12.~~

- For unsuccessful tenderers the Assessment Summary must also include any further explanation of why that supplier is not being awarded the contract (i.e. the date after the end of the 'standstill period') e.g. failing to achieve the minimum score for a particular award criterion.
- If a decision is challenged by an unsuccessful tenderer, after the issue of an intention to award notification letter or Contract Award Notice, then the ~~authorised officer~~Authorised Officer shall immediately inform the ~~s-Section 151 officer~~Officer and seek the advice of the Monitoring Officer on next steps. No contract may be awarded until the ~~s-Section 151 officer~~Officer and the Monitoring Officer are satisfied that the matter has been resolved.
- Authorised ~~officers~~Officers shall ensure that the contract formalities are completed following the award of the contract (see CSO 2.5).

#### ~~7.13-6.10.~~ **Supplier Exclusion & Debarment**

- Where a decision is being made to exclude a supplier, connected person or an associated person from the procurement process due to mandatory or discretionary exclusion grounds set out in the Procurement Act 2023 or the Health Care Services (PSR) Regulations 2023 (where relevant) the Monitoring Officer must be notified and advice sought from Legal prior to notification to the appropriate authority.
- Suppliers may be added to the Debarment List where they have been investigated and the Authorised Officer must undertake checks to see whether they are excluded prior to contract award.

#### ~~7.14-6.11.~~ **Publication of Contract Awards**

- The award of all contracts over £5,000 must be published via the ~~council's~~Council's electronic procurement and contract management system.
- The award of all contracts over ~~£2530,000~~ £2530,000 (inclusive of VAT) must be published on the Central Digital Portal. The award of all contracts ~~finder~~under the Health Care Services (Provider Selection Regime) Regulations 2023 must be published on the Central Digital Portal. Publication will be undertaken by ~~the~~Procurement ~~Team~~.

- The award of contracts above the relevant published ~~procurement threshold~~Procurement Threshold applicable at the time of the commencement of procurement -must be published as required by Procurement Legislation.

## 7. Post Contract Award

### 7.1. Practicalities

- A copy of all contracts must be uploaded to the Council's electronic procurement and contract management system as well as a copy being kept by the Authorised Officer on the appropriate electronic system. Physical originals of signed contracts or deeds should be returned to Legal for secure storage unless otherwise agreed with the Head of Legal and Governance.

### 7.15.7.2. Contract Management, Evaluation and Review

- a. All contracts must be managed in accordance with the ~~council's~~Council's contract management framework
- b. As a minimum and subject to any additional requirements within the contract management framework for all ordinary and major contracts:
  - An up to date risk register should be maintained throughout the procurement process and during the life of the contract;
  - For identified risks, appropriate actions should be put in place to manage them.
  - There should be regular monitoring and reports during the contract period on:
    - ~~performance;~~
    - ~~compliance~~Performance;
    - Compliance with Contract obligations~~programme~~, specification, terms and conditions;
    - ~~estimated~~Estimated final cost compared to budgets;
    - ~~any~~Any value for money/social value (including environmental) requirements; and
    - ~~user~~User satisfaction and risk management.
  - For contracts subject to the Procurement Act 2023 whose total value (including VAT) is over £5m, a minimum of 3 KPIs must be set and monitored annually and on contract termination
  - For contracts subject to the Procurement Act 2023 but which are Light Touch Contracts, contracts subject to the Health Care Services (Provider Selection Regime) 2023 and contracts remaining under the Public Contract Regulations 2015, appropriate performance indicators must be set and

monitored at least annually.

- For contracts subject to the Procurement Act 2023 but which are not Light Touch Contracts, contract performance must be assessed every 12 months and details of supplier performance against KPIs published on the Central Digital Platform using a Contract Performance Notice. ~~Please note that~~ Only Officers in Procurement and Contract Management are authorised to publish such notices and therefore Officers **must** engage with Contract Management on a regular basis to ensure that this requirement is complied with.

c. Before commencing any procurement for a major contract or a contract above ~~EU~~ relevant thresholds in the Procurement Legislation, the following steps must be completed:

- A 'lessons learnt' report should be considered to inform the tendering process;
- A business case must be approved; and
- A procurement plan must be approved by the ~~s.~~Section 151 officersOfficer.

### 7.16.7.3. **What if I want to change my contract?**

You **must** take advice from Legal ~~Services~~ if:

- You wish to ~~amend~~modify or extend a contract;
- you wish to assign or novate a contract; or
- you wish to terminate a contract before the expiry of the contractual term.
- ~~Where~~In some cases, a ~~variation means~~modification might mean that the ~~value of a~~ contract ~~would exceed~~must be treated as a new procurement under the threshold set in Procurement Legislation, ~~or where there is~~ and/or CSO's and advice from Legal must be taken in respect of this prior to any material change modification being made.
- ~~In respect of contracts that are subject to the~~ contract, Procurement Act 2023, a modification may be permitted without treating the contract ~~must be treated~~ as a new procurement under CSO's
- ~~A change will not be deemed material if the~~ value of contract is a Light Touch Contract, or if the modification is ~~both below the threshold set by procurement legislation and below 10%:~~
  - a) a Permitted Modification under Schedule 8 of the ~~original contract value after~~ indexation, or if permitted by the terms Procurement Act 2023;
  - b) is not a Substantial Modification; or
  - c) is a Below-Threshold Modification.

- In respect of contracts which are subject to the Health Care Services (Provider Selection Regime) Regulations 2023, the levels of modifications allowed without having to undertake a fresh procurement are different. It is therefore important that advice must be taken from Legal prior to any modifications being agreed to ensure that they are permitted under CSOs and the contract originally procured relevant Procurement Legislation.
- The authorisation needed for any change/modification will be dependent upon the value of that change/modification in line with financial delegations.
- Officers must be satisfied that they have sufficient budget to cover any variation/modification and that the variation/modification is lawful, reasonable in all the circumstances and will achieve value for money. If modifications or extensions will result in additional spend beyond that authorised at approval to procure stage, additional approvals to the spend will be required.
- A copy of all variations/modifications must be kept with the original contract. and it is for The Authorised Officer must to upload them onto the Council's electronic procurement and contract management system.
- There are requirements for notices to be published for any changes to or termination of contracts under the Procurement Act 2023 and the Health Care Services (Provider Selection Regime) Regulations 2023. Such notices can only be published by officers in Procurement and Contract Management and therefore Officers must engage with Contract Management on a regular basis to ensure that such transparency requirements are complied with.
- Modifications in relation to Light Touch Contracts may be made provided to procurement for inclusion on CSW-jets Officers comply with the requirements of the Procurement Act 2023 including having regard to the Procurement Objectives and have prior written approval from Procurement and Legal by way of an exemption approval in accordance with CSO 4.7 below.

## **8. The Council as a Supplier - Providing Works, Goods or Services to External Organisations**

8.1. The s.151 officer The Council's Traded Services deliver services throughout Warwickshire and England. To ensure that any associated risks are appropriately managed; that the Council only enters into contracts that are part of an approved Traded Service; and where relevant approvals to submit a bid have been obtained; it is important that Officers review and understand the stages that the Council has identified for opportunities and bids before making a formal bid to be a supplier to external organisations. Definition for each of the stages and detailed guidance on matters to consider can be found in the Council's **Bidding Guidance.**

8.2. Where the fundamental model of a service is about quoting for new external work, the practical working approval model would be agreed between the service and the relevant Executive Director. Where the business model of a Traded Service relies on regular

submission of bids for new external work, advanced agreement can be obtained from the relevant Executive Director to avoid needing to request approval on each individual occasion. The Executive Director may set parameters for their approval. If you are unsure of what applies, contact Legal or the Commercial Services Manager.

### Services who already have approval to trade

8.3. Where a service is proposing to bid for work via a tender process, a standard bid management process has been introduced with guidance and template documents available to guide services and protect the Council.

8.4. As part of any bidding process, the terms and conditions/contract published by the buyer that will apply to the successful bidder ~~need to~~ must be reviewed by Legal. The legal documents may contain limits on liability and risks that must be reviewed early on so that clarification questions can be raised around anything that is not acceptable to the Council. In extreme cases, it may not be possible for services to submit bids for tenders if the terms are not acceptable to the Council.

8.5. Any Head of Service considering a bid for provision of external work must have the approval of their Executive Director and should use and follow the bid / no bid decision template available via the Commercial Team Intranet for each new opportunity or tender, which should be approved in accordance with these Contract Standing Orders.

8.6. Each bid must receive approval ~~from~~ at least the relevant Head of Service and a representative of the Commercial Team in Finance. For complex and large value bids Finance and Legal representation should also be considered.

8.7. The bid sign off ~~panel~~ should be presented with a document that includes the key commercial and legal aspects of the project, including:

- An updated version of the Bid / No Bid Decision Template
- Financial Summary of the tender
- Legal documentation confirming contract terms are acceptable
- Confirmation that contract insurance thresholds are acceptable
- Risk Matrix clarifying how risks have been mitigated

8.8. The decision ~~–~~ should be clearly documented, and a record made of any amendments required before the bid can proceed. Should any commercial and legal changes be made that substantively affect the submission, it is recommended that the bid should ~~be~~ reconsidered to ensure all parties are comfortable with the final proposal.

### Services who do not already have approval to trade

~~8.1-8.9.~~ The Section 151 Officer and the Monitoring Officer must be consulted where work for an external organisation is contemplated by a Service trading for the first time. If either the Section 151 Officer or the Monitoring Officer decides that trading is not appropriate or that consent to work for the external organisation proposed should not be granted, the Service cannot proceed with the proposal.



~~8.2. Any proposals to work for an external organisation must be approved by the Executive Director responsible for the service and the approval recorded in writing in accordance with the Councils Standing Orders and Delegations.~~

-

~~8.10. A robust business case must be produced and approved by Commercial Delivery Group and Corporate Board before any arrangement decision is entered into where taken for any Sservice within the council acts Council to trade / act as a supplier. That for the first time.~~

~~8.11. If the proposal is for the Sservice to trade on an ongoing basis, their business case must have input from Legal and Finance and take into account the full, include a detailed commercial and financial case to justify the proposed trading model. This must set out how the Sservice intends to price its services to include recovery of all overheads, how the service proposes to continue to meet demand internally if providing external support, a market appraisal and evidence of ongoing demand, and what level of surplus can be anticipated.~~

~~8.12. If the proposal is for a one off supply of services, a business plan is still required and must show how the work can be taken on without detriment to the existing provision of services and an appraisal of the whole life costs cost to the council Council of delivering the goods, works or services concerned and (including any set up/mobilisation costs, impacts on other internal services, and any costs that may be incurred when the contract comes to an end).~~

~~8.13. In all cases, the service will be required to confirm that appropriate insurance and contract terms can be agreed. The financial viability of such any business cases must be approved by the s-Section 151 officer-Officer.~~

~~8.3-8.14.~~ The key decision regime applies to the council Council providing services over £1,000,000 as well as to purchasing services over £1,000,000.

## 9. Disposals

9.1. Assets for disposal must be sent to public auction except where:

- a. Better value for money is likely to be obtained by inviting quotations or tenders; or
- b. The prior approval of the s-Section 151 officer-Officer and the Monitoring Officer has been obtained to the selling of specified items on an auction website such as eBay; or
- c. Specific disposal procedures have been agreed by the council Council for certain types of assets.

9.2. Goods or assets may be disposed of via public auction, including electronic auctions,



without further specific consent being sought provided the following conditions are met;

- a. The ~~council~~Council owns the item and has the right to sell it;
- b. Appropriate market research has been carried out to establish the estimated value of the item and verified by ~~procurement officers~~Procurement Officers;
- c. The estimated value of the item to be auctioned does not exceed £10,000;
- d. A reasonable reserve price is set for the item based on the estimated value;
- e. The item is withdrawn from sale if it does not reach its reserve price;
- f. The item is in good working condition and fit for purpose, and complies with relevant legislation, in particular:
  - any electrical item bears a valid Electrical ~~Safety Check~~Installation Condition Report (EICR) label, completed by a registered electrician who is ~~registered~~ on the ~~Kite Mark Scheme, the~~Competent Person Electrical ~~Safety Register, or the Electric Safe~~Register. The date of the inspection on the label must not be more than 12 months prior to the date of sale.
  - any item of furniture complies with the Furniture and Furnishings (Fire-) (Safety) Regulations ~~2010~~1988. Any item of furniture, with the exception of mattresses and bed bases, will have a permanent label in compliance with the regulations.
  - any computer or data storage device is adequately wiped of data, to ensure that no information, particularly personal data, remains on the device.
- g. When an item is disposed of, any listing or description of it must NOT give any indication that the ~~council~~Council provides any guarantee for the product or any promise to make good any defects. All items are to be carefully and truthfully described in detail and any known defects highlighted. The following or similar wording must be prominent within the listing or description

~~ITEM IS SOLD AS IS: THE SELLER DISCLAIMS ANY WARRANTY AS TO MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR DESIGN. THE SELLER MAKES NO REPRESENTATIONS AND GIVES NO WARRANTIES AS TO THE QUALITY, CONDITION, STATE OR DESCRIPTION OF THE ITEM, OR ITS FITNESS OR SUITABILITY FOR ANY PURPOSE. ALL IMPLIED STATUTORY OR COMMON LAW TERMS, CONDITIONS AND WARRANTIES AS TO THE ITEM ARE EXCLUDED TO THE FULLEST EXTENT PERMITTED BY LAW.~~

- h. A record of the steps taken under a) to g) is kept for a period of 2 years.

9.3. Applications for approval of the disposal of goods / assets by auction which do not meet the above conditions should be made to the Exemption Panel who will liaise with the Monitoring Officer and ~~s151~~Section 151 Officer as required.

9.4. An individual purchasing goods at auction without the opportunity to inspect the goods may still have consumer rights, i.e. that the goods:

- Are of a satisfactory quality
- Do what they are designed to do
- Are as described, matching any pictures or description of them
- Are safe, under the Consumer Protection Act 1987 or any other applicable legislation.

9.5. Other matters to be aware of:

- Misrepresentation of goods - A customer is entitled to a refund on goods that have been misrepresented, for example, goods sold on the basis of features they do not have. Prosecution can also follow if the misrepresentation is reported to Trading Standards.
- Faulty goods - It is the ~~council's~~Council's responsibility to arrange for the collection of faulty goods, particularly large items. If a customer returns faulty goods within a reasonable time, the ~~council~~Council is obliged to give a refund, and not a credit note. If a repair of a faulty good is unsatisfactory, a customer is still entitled to a refund.
- Time to check goods - on-line auctions - Customers have the right to the time to check they are satisfied with their goods, though this can be just a week.

## 10. Procurement Legislation Transitional Arrangements

10.1. As of the 24<sup>th</sup> February 2025 the awarding and management of public contracts will be subject to different procurement regimes depending on their subject matter and/or when the procurement activity leading to contract award commenced.

10.2. All contracts that were awarded before the 24<sup>th</sup> of February 2025 or were awarded after that date if the procurement went live (i.e. bidders were invited to tender or quote) before the 24<sup>th</sup> of February 2025, will continue to be subject to the Public Contract Regulations 2015 for the purposes of contract management, modifications, and publication of relevant notices. They will remain under the PCR 2015 until they come to an end, except for contracts that fall under CSO [ ] .

10.3. All contracts whose subject matter falls under a specified Common Procurement Vocabulary Code detailed in the Health Care Services (Provider Selection Regime) Regulations 2023 (e.g. health care or public health care services delivered to an individual), are subject to these Regulations instead. New contract awards must follow one of the 5 mandated Award Processes detailed in these Regulations. All these contracts must comply with the contract management, modification processes and publication of notices as specified.

10.4. All new procurement activity and contract awards (other than where covered by CSO [ ]) after the 24<sup>th</sup> of February 2025 are subject to the Procurement Act 2023 (and any subsequent legislation) and must follow its requirements for procurement processes, contract management, modification processes and publication of notices.



## Appendix: Definitions

Agent	A person or organisation acting on behalf of the <del>council</del> <u>Council</u> .
Authorised Officer	An <del>officer</del> <u>Officer</u> responsible for conducting a procurement.
Award Criteria	The criteria by which the successful quotation or tender is to be selected. (see further CSO 12).
Award Procedure	The procedure for awarding a contract as specified in CSO 14.
<del>S.151 officer</del> <u>Below-Threshold Modification</u>	<del>The officer</del> <u>Is a modification to whom a Contract which is subject to the statutory role is delegated under Procurement Act 2023 where:</u> a) <del>the constitution</del> <u>modification would not itself increase or decrease the estimated value of the contract by more than:</u> (i) <u>in the case of a contract for goods or services, 10 per cent;</u> (ii) <u>in the case of a contract for works, 15 per cent;</u> b) <u>the aggregated value of below-threshold modifications would be less than the threshold amount for the type of contract;</u> c) <u>the modification would not materially change the scope of the contract;</u> <u>and</u> d) <u>the modification is not a Permitted Modification or a Substantial Modification.</u>
<del>Section 151 Officer</del>	<u>The Officer to whom the statutory role is delegated under the Constitution</u>
Code of Conduct	The 'Officers' Code of Conduct' (see part 4 of the <del>council's constitution</del> <u>Council's Constitution</u> ).
Consultant	Someone engaged for a specific length of time to work to a defined project brief with clear outcomes to be delivered, and who brings specialist skills or knowledge to the role.
Designated Officer	The <del>chief executive</del> <u>Chief Executive</u> , the Executive Director for <del>resources</del> <u>Resources</u> and any other <del>officer authorised</del> <u>Officer Authorised</u> by either of them. <u>The Monitoring Officer shall keep a list of Designated Officers. If a document requires executing by a Designated Officer, the Authorised Officer should contact Legal.</u>
ESPO	The Eastern Shires' Purchasing Organisation.
<u>Exemption Panel</u>	<u>Panel consisting of Head of Legal and Governance and two senior Procurement Officers (as determined from time to time) to hear requests for exemption from the requirements of CSOs. Requests in relation to contracts less than £100,000 are onward delegated to Procurement Officers.</u>
Forward Plan	The forward plan, which is prepared on a rolling basis and contains matters which the <del>council</del> <u>Council</u> has reason to believe are likely to be the subject of key decisions during the following four months.
Framework Agreement	<del>An agreement</del> <u>A contract</u> between <del>one or more</del> <u>a</u> contracting <del>authorities</del> <u>authority</u> and one or more <del>economic operators</del> <u>suppliers</u> that <del>provides for the purpose</del> <u>future award</u> of <del>which is to establish the terms governing contracts to be awarded during a given period</del> <u>by a contracting authority to the supplier or suppliers.</u>

Invitation to Tender	An invitation to tender sent to tenderers inviting bids for works goods or services.
Key Decision	Decisions that are defined as key decisions in the <del>constitution</del> <u>Constitution</u> .  In relation to letting contracts, the key decision is the proposal to let a contract for a particular type of work.  The subsequent decision to award the contract to a specific contractor will not be a key decision provided the value of the contract does not vary above the estimated amount by more than 10% for contracts with a value of £1,000,000 or more.
<u>KPIs</u>	<u>Key Performance Indicators</u>
<u>Light Touch Contract</u>	<u>A Contract that is wholly or mainly for the supply of services of a kind specified in regulations under section 9(2) of the Procurement Act 2023 (which includes some social care, education &amp; health contracts)</u>
Major Contract	A contract that has a total value of £1,000,000 <u>(exclusive of VAT)</u> or more.
Minor Contract	A contract where the total value is less than £100,000 <u>(exclusive of VAT)</u> .
Monitoring Officer	The <del>officer</del> <u>Officer</u> to whom the statutory role is delegated under the <del>council's constitution</del> <u>Council's Constitution</u>

Non-Commercial Considerations	<p>The terms and conditions of employment by contractors of their workers or the composition of, the arrangements for the promotion, transfer, or training of or the other opportunities afforded to, their workforces (“workforce matters”);</p> <p><del>whether</del><u>Whether</u> the terms on which contractors’ contract with their sub-contractors constitute, in the case of contracts with individuals, contracts for the provision by them as self-employed persons of their services only;</p> <p><del>any</del><u>Any</u> involvement of the business activities or interests of contractors with irrelevant fields of government policy;</p> <p><del>the</del><u>The</u> conduct of contractors or workers in industrial disputes between them or any involvement of the business activities of contractors in industrial disputes between other persons (“industrial disputes”);</p> <p><del>the</del><u>The</u> country or territory of origin of supplies to, or the location in any country or territory of the business activities or interests of, contractors; any political, industrial, or sectarian affiliations or interests of contractors or their directors, partners, or employees;</p> <p><del>financial</del><u>Financial</u> support or lack of financial support by contractors for any institution to or from which the authority gives or withholds support;</p> <p><del>use</del><u>Use</u> or non-use by contractors of technical or professional services provided by the authority under the Building Act 1984 or the Building (Scotland) Act 1959.</p> <p>Workforce matters and industrial disputes, as defined in paragraphs (a) and (d), cease to be non-commercial considerations for the purposes of s17(5) Local Government Act (LGA) 1988 and part 1 of the LGA 1999 (Best Value); or where there is a transfer of staff to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 (“TUPE”) may apply.</p>
Officer	A person employed by the <del>council</del> <u>Council</u> .
<u>Open Framework</u>	<u>A scheme of Frameworks that provides for the award of successive Frameworks on substantially the same terms.</u>
Ordinary Contract	A contract where the total value is £100,000 or more but is less than £1,000,000.
Pecuniary Interest	Any direct or indirect financial interest. An indirect interest is distinct from a direct interest in as much as it is not a contract to which the member or employee is directly a party. A shareholding in a body not exceeding a total nominal value of £1,000 or 1% of the nominal value of the issued share capital (whichever is the greater) is not a pecuniary interest for the purposes of these CSOs.
<u>Permitted Modification(s)</u>	<u>In respect of Contracts which are subject to the Procurement Act 2023, modifications which are permitted under Schedule 8 of the Procurement Act 2023</u>
Personal Care Services	Services provided to people who have personal care needs as assessed by the Executive Director for Social Care and Health or their nominees. As such these services can be provided to people of all ages whose needs may result from old age, physical disability, sensory loss, mental illness or learning disability.

Procurement Legislation	The requirements of any and all relevant public procurement legislation in force within England from time to time including but not limited to the <del>Public Contracts</del> <u>Procurement Act 2023, The Procurement Act 2023 (Commencement No. 3 and Transitional and Saving Provisions) Regulations, 2024, the Concession Contracts</u> <del>Procurement Regulations, the Utilities Contracts 2024 and The Health Care Services (Provider Selection Regime) Regulations 2023</del> (all as amended or replaced from time to time) together with any relevant codes of practice and/or statutory guidance
<u>Procurement Pipeline</u>	<u>A full list of the County Council's current and ongoing procurements and re-procurements over the next 2-3 years</u>
<u>Procurement Objectives and Principles</u>	<u>These are the objectives and principles set out in the relevant Procurement Legislation (Section 12 of the Procurement Act 2023 and Regulation 4 of the Health Care Services (Provider Selection Regime) Regulations 2023)</u>
Procurement Threshold	The contract value at which the Procurement Legislation must be applied
<u>Regulated Below-Threshold Contract</u>	<u>Contracts that are below the Procurement Threshold but when procured are subject to the provisions in Part 6 of the Procurement Act 2023</u>
Quotation	A quotation of price and any other relevant matter (without the formal issue of an invitation to tender).
<del>Relevant Contract</del>	<del>A contract to which these contract standing orders apply (see CSO 1).</del>
Selection Criteria	The criteria by which tenderers are chosen to be invited to submit quotations or tenders
Shortlisting	The process of selecting tenderers who are to be invited to submit quotations or tenders or to proceed to final evaluation as part of a <del>Restricted, Competitive with Negotiation</del> <u>Open</u> or Competitive <del>Dialogue</del> <u>Flexible</u> Procedure.
<u>Substantial Modification</u>	<u>In respect of Contracts which are subject to the Procurement Act 2023, a modification which would:</u>  <u>a) increase or decrease the term of the Contract by more than 10 per cent of the maximum term provided for on award;</u> <u>b) materially change the scope of the Contract; or</u> <u>c) materially change the economic balance of the Contract in favour of the supplier.</u>
Teckal company	A company which meets particular legal requirements relating to its ownership and activities i.e. wholly public sector owned and its main business is providing services to its members.
<b>Tender</b>	<b>A tenderer's proposal submitted in response to an invitation to tender.</b>
Tenderer	Any person who asks or is invited to submit a quotation or tender.
Total Value	As defined in CSO <u>2.14</u> .

TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006 [SI2006 No.246]
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Note: any references to legislation through-out these Contract Standing Orders shall be construed as a reference to the legislation as it may be amended, replaced, consolidated or re-enacted from time to time



## Audit and Standards Committee

20 March 2025

### Internal Audit Plan 2025-26

#### Recommendations

That the Audit and Standards Committee:

1. Endorses the proposed Internal Audit Strategy and Plan for 2025-26 at Appendix A.
2. Endorses the revised Internal Audit Charter at Appendix B and authorises the Chair of the Audit and Standards Committee to sign the Charter in conjunction with the Chief Executive and Chief Audit Executive.

#### 1. Executive Summary

##### Internal Audit Plan 2025/26

- 1.1 The Council has a duty to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account relevant auditing standards.
- 1.2 The role of internal audit is primarily to provide reasonable assurance to the organisation and ultimately the taxpayers that the Council maintains an effective control environment that enables it to manage its significant business risks. Internal Audit does this *by providing risk-based and objective assurance, advice and insight*. In addition to providing assurance, the audit service also undertakes proactive consultancy and advisory work designed to add value and offer insights that will improve the effectiveness of risk management, control and governance processes e.g. acting as a critical friend when process changes are being developed.
- 1.3 To ensure the best use of limited audit resources audit work needs to be carefully planned. In accordance with best practice, the Committee's role is to review and approve the annual internal audit work plan. The plan is developed in consultation with senior managers and takes account of the organisations aims, strategies, key objectives, associated risks, and risk management processes (as required by internal audit standards). It also considers those topics which have not recently been audited or which feature in the corporate risk register or which, when last audited, received a low opinion. Care has been taken to explicitly link the internal audit plan with critical risks.

- 1.4 Based upon the discussions to date and our professional judgement, an indicative priority and an estimated number of days has been allocated to each potential topic. This considers a range of factors including when the topic was last audited, complexity of the topic, and the level of change. The list of potential topics arising from the planning process is included in the attached audit plan document (Appendix A) together with those topics we are unable to cover during the year based on existing level of resources. The aim is to give a high-level overview of audit areas. The Committee will note that as in past years whilst we are able to cover key aspects of very high-risk areas, we are not able to cover lower rated risks. The Committee can accept a plan on this basis, provided this matches its “risk appetite” for independent assurance, also recognising that management have the prime accountability for managing processes and risks (and therefore assurances can be obtained directly from them where necessary).
- 1.5 Good practice requires us to recognise that the plan should be responsive to changes in risks during the year and it will therefore be reviewed at intervals throughout the year to ensure it remains relevant.

#### **Internal Audit Charter to reflect new Internal Audit Standards**

- 1.6 From April 2025, new Internal Audit standards will replace the existing Public Sector Internal Audit Standards. The new standards are designated as Global Internal Audit Standards in the UK Public Sector. Conformance with these new standards has required the re-writing of the Internal Audit Charter.
- 1.7 The Internal Audit Charter sets out the purpose and mandate for Internal Audit by reference to the Global Internal Audit Standards and the Accounts and Audit Regulations 2015. The Charter also covers the Audit and Standards Committee Oversight function, roles and responsibilities and the scope and types of services to be provided. The Charter must be formally agreed and approved by the organisation and periodically reviewed.
- 1.8 The draft new Charter follows a recommended template to ensure that the wording of the new standards is appropriately included. Because the structure and headings of the re-written charter are new, it is difficult to set out the changes for comparison however the key points of change are as follows:
  - The Context section has been replaced by the Mandate which is a requirement of the new standards. This highlights the requirements for Internal Audit in the Accounts and Audit Regulations 2015
  - The previous section on Independence is now broader, covering Independence, Organisational Position and Reporting Relationships
  - The section on Audit and Standards Committee Oversight is now more detailed, although there are no significant changes in content
- 1.9 The Internal Audit function was externally assessed in 2023 as conforming with all of the existing standards. A detailed self-assessment will be undertaken during 2025/26 but it is expected that with one exception the new standards will also be met. The exception relates to the position of the Internal Audit Manager in the Council management structure. The details and

mitigations are set out in the revised Internal Audit Charter which is at (Appendix B).

## **2. Financial Implications**

- 2.1 There are no direct financial implications of this report, although the Audit Plan is a key element in assuring the Council of the adequacy of its control environments in relation to protecting our resources and finances. There can be financial implications of actions required to implement audit recommendations.

## **3. Environmental Implications**

- 3.1 The proposed plan includes one audit relating to the environmental agenda, providing independent assurance and advice.

## **4. Supporting Information**

- 4.1 Appendix A sets out the full Audit Plan for 2025-26.

## **5. Timescales associated with the decision and next steps**

- 5.1 Delivery of this Audit Plan will be contained to the financial year 2025-26.

## **Appendices**

Appendix A - Internal Audit Strategy and Plan 2025-26

Appendix B – Proposed revised Internal Audit Charter

## **Background papers**

None

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# Internal Audit Strategy and Plan 2025-26

“Providing assurance on the management of risks”



# Internal Audit Strategy and Plan 2025-26

## “Providing assurance on the management of risks”

This document sets out the Internal Audit Strategy and proposed Plan of work for 2025-26 for Warwickshire County Council. These services are provided by the Internal Audit Service of the Resources Directorate. This document complements the Audit Charter and the Council’s Risk Management Framework. In accordance with current best practice, the role of the audit committee is to review and approve the internal audit plan.

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### The Role of Internal Audit

All organisations face risks in every aspect of their work: policy making, decision taking, action and implementation, regulation and spending, and making the most of their opportunities. The different types of risk are varied and commonly include financial risks, IT risks, supply chain failure, physical risks to people, and damage to the organisation’s reputation. The key to the Council’s success is to manage these risks effectively.

The Council has a statutory responsibility to have in place arrangements for managing risks; The Accounts and Audit Regulations 2015 state that a local authority is responsible for ensuring that its financial and operational management is effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk. The Regulations require accounting systems to include measures to ensure that risk is appropriately managed.



The requirement for an internal audit function is also contained in the Regulations which require the Authority to:

“undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Council has delegated its responsibilities for internal audit to the Executive Director for Resources.

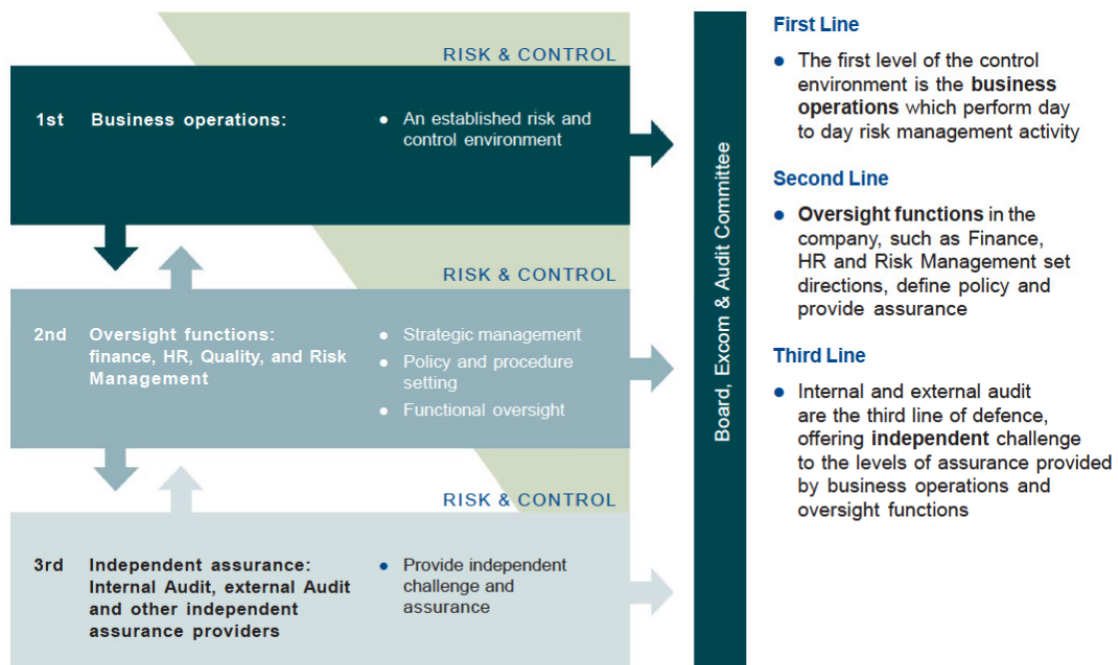
### Definition of Internal Auditing

“Internal auditing is an independent, objective assurance and advisory service designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.”

The key word in the definition is assurance, the role of audit is not to identify or investigate alleged irregularities, it is to provide assurance to the organisation (the Chief Executive, Executive Directors, Directors and the Audit and Standards Committee) and ultimately the taxpayers that the authority maintains an effective control environment that enables it to manage its significant business risks. We do this by **providing risk-based and objective assurance, advice and insight**. The assurance work culminates in an annual opinion on the adequacy of the Authority’s governance, control and risk management processes which feeds into the Annual Governance Statement.

Different parts and levels of an organisation play different roles in managing risk, and the interplay between them determines how effective the organisation as a whole is in dealing with risk. The Institute of Internal Auditors uses a “three lines of defence” model to explain internal audit’s unique role in providing assurance about the controls in place to manage risk. Recognising that effective management involves choosing to take risks as well as defending against negative impacts, perhaps “*Three lines of Assurance*” is a helpful description:

**Figure 1: Three lines of defence (assurance) model**

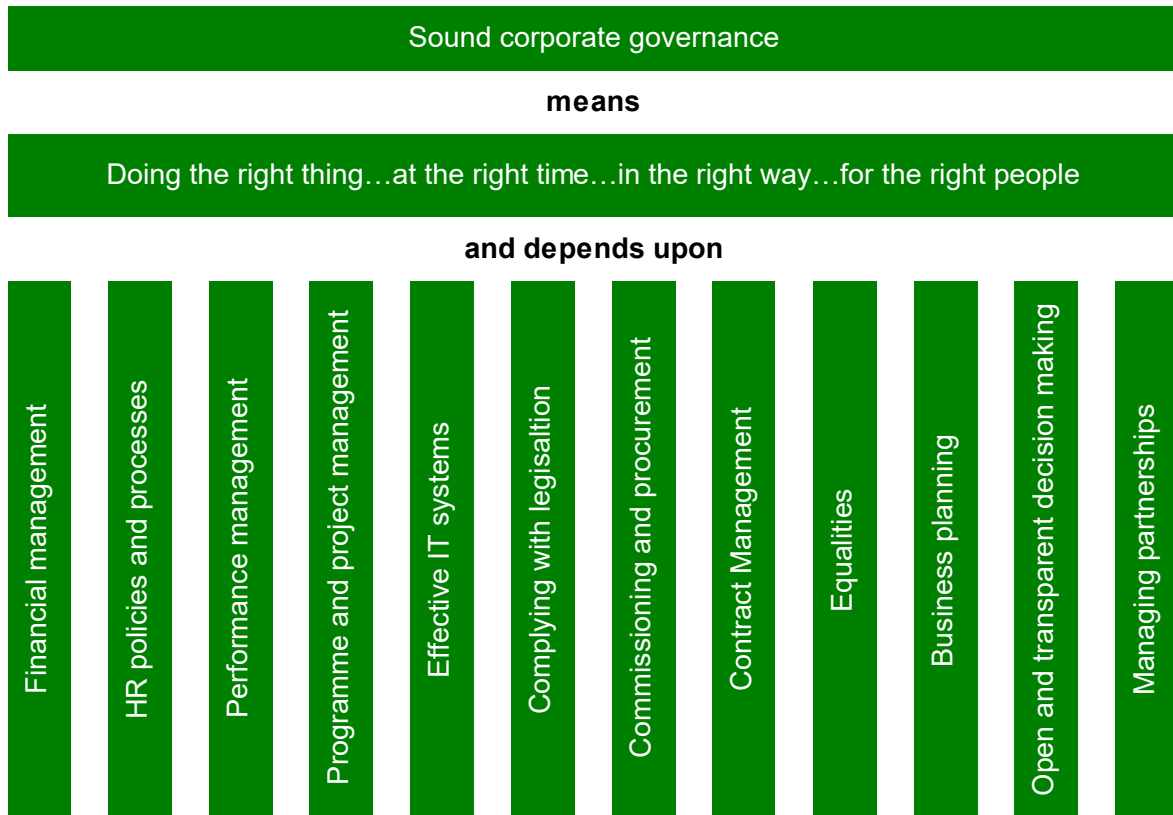


The management of risks is the responsibility of every manager. Sitting outside the processes of the first two lines of assurance, audit's main roles are to ensure that the first two lines are operating effectively and advise how they could be improved.

We develop and then deliver a programme of internal audits to provide independent reasonable assurance to senior management and members that significant risks are being addressed. To do this, we will evaluate the quality of risk management processes, systems of financial and management control and governance processes and report this directly and independently to the most senior level of management. In accordance with regulatory requirements most individual assurance assignments are undertaken using the risk-based systems audit approach and are not usually designed to identify potential frauds.

The focus of our work continues to be primarily on the very high-risk areas and change programmes and key corporate processes. Audits of this nature are a more effective use of limited resources and are key to providing the appropriate assurance to the Council that its overall governance, control and risk management arrangements remain effective.

**Figure 2: Key corporate processes**



We give an opinion on how much assurance systems give that significant risks are addressed. We use four categories of opinion: Full, Substantial, Moderate and Limited assurance.



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## Vision, purpose and values

A professional, independent and objective internal audit service is one of the key elements of good governance in local government.

As a modern effective risk and assurance service we:

- Act as a catalyst for improvement and provide insight on governance, control and risk management;
- Influence and promote the ethics, behaviour and standards of the organisation;
- Develop a risk aware culture that enables clients to make informed decisions;
- Are forward looking; and
- Continually improve the quality of our services.

A key driver of this strategy is the need to meet all our clients' needs, which in the context of the County Council are the Audit and Standards Committee, Chief Executive, Executive Directors and Directors.

The County Council will continue to be affected by a variety of local and national issues:

- Impact of the English Devolution White Paper
- Funding pressures faced by local government;
- The impact of inflation and global conflicts
- Climate change
- Increased growth in partnerships and collaborations, for example with health, other parts of the public sector and the private sector;
- Ever increasing use of technology to deliver services, particularly the rapid evolution of Artificial Intelligence;
- Flexible working arrangements to make more effective use of accommodation;
- The introduction of new ways for customers and the public to access services; and
- Pressure to reduce the cost of administrative / support functions while improving quality / effectiveness.

These, and other developments, will mean increased pressure on the service to review existing systems and provide advice on new and complex initiatives within reducing resources. We must add value and help deliver innovations in service delivery. To respond to the demands on us we will:

- Continue to develop our staff to ensure we are fully equipped to respond to our clients' demands;
- Continue to invest in modern technology to improve efficiency and effectiveness;
- Add value and make best use of our resources by focussing on key risks facing our clients;

- Increasingly work in partnership with clients to improve controls and performance generally; and
- Continue to buy in specialist help where required.

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## Services

In addition to undertaking audits the Service is able to support the organisation by also providing the following services:


### Consultancy

The Council will face major changes in culture, systems and procedures over the coming years and we are able to provide advice on the governance, control and risk implications of these changes. The service will act as a critical friend. Particular emphasis is put on project governance and process design.

Our knowledge of the management of risk enables us to **challenge** current practice, **champion** best practice and be a **catalyst** for improvement, so that the Council as a whole achieves its strategic objectives.

So, for example, when a major new project is being undertaken we can help to ensure that project risks are clearly identified and that controls are put in place to manage them.

It is more constructive for us to advise on design of processes during the currency of a change project rather than identify problems after the event when often it is too late to make a difference and it is possible to use less resource to identify key points than in a standard audit - timely advice adds more value than untimely.



**Challenge**  
**Champion**  
**Catalyst for  
improvement**

### Irregularities

As a publicly funded organisation the Council must be able to demonstrate the proper use of public funds. It is the responsibility of every manager to have systems in place to prevent and detect irregularities. However, if an irregularity is identified or suspected managers are required to notify the Service and will need professional support to investigate the matter.

All significant investigations will be undertaken by the Service but more minor matters will be referred back to the relevant manager to progress with support from the audit team. The decision on which cases will be investigated will be made by the Internal Audit Manager.

### Counter fraud

Although responsibility for operating sound controls and detecting fraud is the responsibility of management, the Service has a key supporting role. In particular,

we are responsible for maintaining and publicising the Council's anti-fraud policy, maintaining records of all frauds and, as a deterrent, publicising proven frauds.

The Service also coordinates the Council's participation in the National Fraud Initiative. Relevant managers are best placed and hence are responsible for investigating matches identified by the NFI but we do maintain an overview of progress.

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## Plan 2025-26

To ensure the best use of limited audit resources audit work needs to be carefully planned. We have sought to align our work with the Council's risk base again this year, by liaising extensively with senior management and taking into account:

- the overall environment in which the Council has to operate
- its aims, strategies, key objectives, associated risks
- risk management processes, and
- national surveys and intelligence on risk areas along with data on actual frauds at Warwickshire CC.

Our plan also takes into account those topics which have not recently been audited or which feature in the corporate risk register or which when last audited received a low opinion. In addition, auditors regularly attend various professional networking meetings which highlight the wider issues affecting public sector internal audit which need to be reflected in the programme of work.

### General context and key themes

#### International

The Institute of Internal Auditors has identified a number of key themes through its annual survey of Heads of Audit across the world, which looks at the continuing and emerging areas of risk on which they are having to focus. The latest report, Risk in Focus 2025, identified seven top risks from the survey, as follows:

- Cybersecurity
- Digital disruption, new technology and artificial intelligence (AI)
- Business Continuity
- Human capital and talent management and retention
- Climate Change
- Regulatory Change
- Geopolitical uncertainty

Cybersecurity remains highest as in 2023 and 2024. Digital disruption (including AI) Business continuity has moved up to 2<sup>nd</sup> place, pushing Human Capital to 4<sup>th</sup> position.

## National

Like the rest of the world, the UK has been greatly impacted by the global instability and conflict. The risks and impacts include:

- Cyber security
- Higher general inflation
- Higher interest rates
- Supporting refugees

In particular at the Local Government level there has been and continues to be a high level of concern around financial stability and sustainability, with more councils having issued S114 notices.

## County Council

The national and international perspectives highlighted above are reflected in the challenges faced by the county council. Regarding the aspects of financial risk, these include Dedicated Schools Grant deficits, growing costs of both adults and children's social care, Home to School Transport and SEND, as well as significant pressures on capital budgets. The risks have been identified by the Council in setting the budget and MTFS.

## Financial Risks - Annual Budget and MTFS

From a financial perspective, at its meeting of 6 February 2025, Council considered a report titled "2025/26 Budget and 2025/30 Medium Term Financial Strategy". The Executive Director for Resources Section 25 statement report identifies a number of risks that will be monitored along with mitigation measures:

- Dedicated Schools Grant Deficits
- Demand Growth Risk
- Funding Risks:
  - Uncertainty of the National Funding Position
  - Council Tax
  - Business Rates
  - Treasury Management
- Workforce Risk
- Delivery of the Planned Budget Reductions
- Inflationary Risk (non pay)
- Affordability of the Capital Programme
- Impact of national policy changes
- Impact on the Medium Term Financial Strategy

## Council Plan

Investment plans are directed towards delivery of the Council Plan.  
The Council Plan contains three strategic priorities for achieving the vision “To make Warwickshire the best it can be, sustainable now and for future generations”. These are as follows:



## Our ambition for Warwickshire

### Three strategic priorities



We want Warwickshire to have a **thriving economy and places** that have the right jobs, skills, education, and infrastructure.



We want to be a County where all **people can live their best lives**; where communities and individuals are supported to live safely, healthily, happily and independently.



We want to be a **County with a sustainable future** which means adapting to and mitigating climate change and meeting net zero commitments, so that our generation ensures future generations can live well and reap the benefits of a sustainable and thriving Warwickshire.

### Other planning considerations

Our primary customers remain the Chief Executive, Executive Directors, Directors and the Audit and Standards Committee but we will take into account the views of other managers when refining the scope of audits and will accommodate them as long as requests do not divert us from addressing the core scope as agreed with the Audit and Standards Committee.



Further significant changes in processes and policies are likely during the coming year and internal audit will need to support this work and provide advice on the governance, risk management and control implications of the changes. Whilst providing advice is good practice and an effective use of resources, sufficient audits are required across the Council’s risk profile in order to deliver the annual “Head of Audit” opinion. Given resourcing levels, advisory work will be targeted on key

transformation projects and the Service is unlikely to be able to provide support on more minor matters.

Given the limitations on audit resources there is an increasing need for more reliance to be placed by the Council on second line of defence functions (such as Finance, HR and Procurement). Potentially, audit will need to provide increased assurance on the effectiveness of those functions especially as budget constraints will inevitably also impact on them and hence on the overall assurance framework. We will avoid undertaking roles that are properly the responsibility of the first or second line of defence – these managers need to have sound controls and monitoring systems in place rather than relying on periodic internal audits to provide them with assurance. Assurance that these management functions are being properly discharged will be tested as part of the audit work.

Governance, risk and control issues continue to be an issue at Maintained schools with a number of schools experiencing financial difficulties. We plan to undertake some thematic audits, visiting a small sample of schools and sharing the key lessons more widely. Beyond that we will focus on the arrangements the Council has in place to identify as early as possible, and subsequently support, schools causing concern / in difficulty. Where a potential and significant financial irregularity is suspected at a school, we will investigate but we will not investigate minor suspected irregularities and will expect schools to resolve these, albeit with some support from audit as well as other support functions from across the council including finance and school advisers. Similarly, there is sometimes little value that an audit can add where the Council already knows of issues at a particular school.

### The detailed plan

Based upon discussions with senior managers and our professional judgement an indicative priority and an estimated number of days have been allocated to each potential topic. The Council's strategic risks and the key planned work to provide assurance on these risks are shown in Annex 1. Demonstrating the assurances planned on each strategic risk and being transparent about auditable topics that cannot be audited are key requirements of internal audit professional standards and we therefore adopt a top-down approach with the plan being driven by key risks.

The outline plan in Annex 2 shows those topics that we are planning to audit and Annex 3 details an illustrative list of topics that we are not planning to audit. The plan takes into account the resources available within the audit service, risk and other assurance frameworks that exist from which the council can gain assurance.

As in previous years the plan covers one year which is accepted best professional practice. Whilst an indicative timing is included, and a view taken on time required, this is subject to review during the year e.g. when risks change or a specific project becomes a matter of priority or a significant fraud has to be investigated.

In addition to the assurance and advisory work listed, provision has been made in our work plan to:

- undertake investigations;
- complete outstanding 2024-25 audits;

- certification of financial returns where grant conditions require this; and
- counter-fraud work to maintain counter-fraud policies and to promote and raise the profile of counter fraud messages. This work will supplement the Council's on-going participation in the National Fraud Initiative which the internal audit team coordinates.

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## Quality Assurance and Improvement Programme

The Public Sector Internal Audit Standards (PSIAS) require the Internal Audit Manager to develop and maintain a Quality Assurance and Improvement Programme (QAIP) covering all aspects of the internal audit activity. We had a formal external review of compliance with the standards in 2023 and this confirmed compliance with all of the standards.

From April 2025 the PSIAS will be replaced by new standards designated as Global Internal Audit Standards in the UK Public Sector. The QAIP is being updated to reflect the latest requirement. It includes internal assessments, periodic self-assessments and external assessments and is not only designed to assess the efficiency and effectiveness of Internal Audits, but also to enable an evaluation of the internal audit activity's conformance with the definition of internal auditing and the standards and an evaluation of whether internal auditors apply the Code of Ethics. We have an Audit Manual based on accepted professional practice which is also being updated to reflect the new standards. A summary of the QAIP is shown in Annex 4.

**Paul Clarke**  
**Internal Audit Manager**

**March 2025**

## Strategic Risks

Extract from Council's strategic risk register		Independent Assurance Sources	
Strategic Risk Description		Other sources of assurance	Examples of proposed internal audit role / planned assignments
01.	Slow economic growth and increase in inequalities across communities		Growth funding, Car Parking, Highways maintenance, Trading Standards
02.	Mismatch between demand and resources		Suspense Accounts, Major Projects, Early years funding, Section 19 of the Education Bill and provision of education to children unable to attend school, Fire – Workforce Planning and Talent management
03.	Being unable to keep children and vulnerable adults safe	Ofsted, CQC	Schools in deficit, Elective Home Education, Recruitment and Retention, Exclusion
04.	Lack of movement towards Sustainable Futures		Climate change, Collaborative Agreements
05.	Failure to operate		CRISP, Business Support services, Fire Services – Benefits Realisation, Learning and Development Partnerships, Procurement
06.	Insufficient skilled and experienced workforce		Mandatory Training, Sickness absence, Operability of Better care Fund
07.	Successful cyber attack	PSN certification	Cyber Security
08.	A safe environment for colleagues may not be sustained		Mandatory training, health and safety



**Planned Work 2025-26**

**Strategic Priority:**



**We want Warwickshire to have a thriving economy and places that have the right jobs, skills, education and infrastructure**

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Directorate	Service	Topic	Notes
Communities	Environment, Planning and Transport	Road Maintenance (Potholes)	Review of the robustness and accuracy of maintenance of potholes and benchmarking with other authorities, insurance claims and payouts.
Communities	Environment, Planning and Transport	Car Parking	Linkage to town centre development, flow of traffic etc. Review of the Council's Car Parking Strategy, charging and management of resident parking permits, move to digital passes and bench marking with other local authorities.
Communities	Economy and Place	Adult Skills Fund	Following the Warwickshire Devolution Agreement; a readiness review of controls and processes (including payment to providers) in preparation for devolving authority of the Adult Skills Fund from the Department of Education to the Council.
Communities	Environment, Planning and Transport	SEND - School Transportation	Review of the transport for special needs and engagement of schools for future transport provision including SEND.
Communities	Environment, Planning and Transport	Trading Standards	Proceeds of Crime Act 2002 (POCA) - Review of roles and responsibilities linking to investigations and proceeds from crime.
Communities	Fire	Benefits Realisation	Following the introduction of the new operating model this is an assurance review of the delivery of expected benefits of revised human resource deployment arrangements.
Communities	Fire	Collaborative Agreements	A number of collaborative agreements are in place, e.g. Northants around fire control and share ICT of the control room. In the context of the new operating model this is to provide assurance on the effectiveness of arrangements for the identification, evaluation, entering, and monitoring the delivery of collaborative agreements.

Directorate	Service	Topic	Notes
Communities	Fire	Workforce planning and talent management	Following the last outcome report by HM Inspectorate assurance review relating to position processes, appraisal and succession planning.

**Strategic Priority:**

**We want to be a County where all people can live their best lives; where communities and individuals are supported to live safely, healthily, happily and independently**

Directorate	Service	Topic	Notes
Communities	Strategic Infrastructure and Climate Change	Climate Change	Net Zero 2030 ambition. Evaluation of the readiness for the 2030 target. The two services that will be particularly relevant will be Property Services and Fleet both contributing to the CO2 emissions.
Communities	Strategic Infrastructure and Climate Change	Major Projects – Implementation of lessons learned	The audit will cover implementation of lessons and risk mitigations.
Children and Young People	Education	Themed schools' visits	Focus on themes of budget management and deficits and payroll controls.
Children and Young People	Education	Schools in financial difficulty/ deficit	Working with Finance and Education to support timely identification of schools in financial difficulty with the aim of supporting improved financial management
Social Care and Health	Social Care and Health Commissioning	Learning and Development Partnership	Assurance around the impact and effectiveness of this partnership whose core offer is to support our commissioned providers with the learning and development, recruitment and retention of their workforce, including supporting them to meet the conditions of their International Recruitment Sponsor licences.
Social Care and Health	Public Health	Domestic Abuse	Funding arrangements ensuring value for money to deliver services linked to domestic abuse, commissioned by Warwickshire County Council and landscape partners ( OPCC, Districts and Boroughs) to provide specialist support for victims in Warwickshire.
Social Care and Health	Social Care and Support	Client Record and Information Systems Programme (CRISP)	Relating to MOSAIC, Synergy and Abacus, ongoing advice, assurance of governance, roles and responsibilities from inception, business readiness and future benefits realisation.
Children and Young People	Education	Elective Home Education.	Review to include outcomes, quality of education, tracking and monitoring systems. Potential to be delivered alongside children missing education (CME) and to take account of the Children's Wellbeing and Schools Bill.

Directorate	Service	Topic	Notes
Children and Young People	Education	S19 - Education Act 1996	Review of duty placed on Local authority for provision of education to children who are medically unable to attend school. Linked to service provided by the Flexible Learning Team. Assurance on application of the updated policy approved November 2024.
Children and Young People	Education	Exclusion	Assurance review of the Council's responsibility in response to and management of exclusion.
Children and Young People	Children and Families	Pathfinder Programme	Aligned to the vision to rebalance children's social care by offering meaningful and effective early support assurance, the review will focus on how well the Council is implementing Pathfinder requirements and VfM as a means of demonstrating its achievements. The review will also consider the governance, roles and responsibilities of family practitioners and social workers.
Children and Young People	Children and Families	Youth Justice	Readiness review following publication of the new framework for inspection in March 2025.
Children and Young People	Children and Families	Children with Disabilities	Review of service access at the point of entry and application of the thresholds, roles and responsibilities and reporting arrangements.
Resources	Enabling Services	Cyber Security	A review of how well the Council is protecting itself from cyber security and risk profiling from the perspective of people and processes.

## Governance, Risk and Controls Assurances and Advice

Directorate	Service	Topic	Notes
Resources	Finance	Procurement and Contract Management	Assurance review to consider the impact of the Procurement Act 2023 effective from 24 February 2025.
Resources	Finance	Pensions service	Compliance review against the Pensions Regulator Pensions Code of Practice 2024
Resources	Finance	Debtors	Cyclical review of finance areas. 2025/26 to include review of the debtor's function and aged debts.
Resources	Workforce and Local Services	Sickness Absence	Identified as a key risk on the service risk register. Assurance review to focus on the causes of high levels of sickness, mitigations and timely action by management to reduce sickness levels.
Resources	Workforce and Local Services	Health and Safety	Corporate review across HR and Facilities Management to include review of key performance measures and indicators.
Resources	Workforce and Local Services	Mandatory Training	Review of uptake and accessibility of mandatory training .
Resources	Governance and Policy	Risk Management	Assurance review of risk management arrangements
Resources	Finance	Suspense Accounts	Review of the effectiveness of processes to monitor and manage transactions in a timely manner that flow through the suspense accounts. Review to include review of the Pensions suspense account.

## Annex 3

## Illustration of auditable topics not planned for 2025-26

In addition to the coverage of key risk areas discussed at Annexes 1 and 2 above, the Global Internal Audit Standards in the UK Public Sector require the strategy to be open about those audit areas not covered in 2025-26. Based upon the planning discussions with senior management, our professional judgement and the results of previous audits the following topics are not planned for 2025-26. However, should planned audits not take place topics from this list can be substituted.

Directorate	Area
Resources	Governance review of the Council Delivery Plan (not selected as an audit as this is part of business as usual and underpins all audit work)
Communities	Archaeology Warwickshire
People	Reablement service
Resources	Better Care Fund – self service and uptake of digital services
Resources	Taxation compliance including IR35
Resources	Warwickshire Investment Fund
Resources	Performance Management
Resources	Business Support Services

## Annex 4: QAIP

### Quality Assurance and Improvement Programme (QAIP)



Periodic external assessments and self-assessments against Global Internal Audit Standards in the UK Public Sector. Robust performance monitoring. Post assignment de-brief and post assignment questionnaires



Quality improvement plan – CAE reports to Audit Committee on the outcome of Quality Assurance including any improvement action plan and any significant non-conformance with Global Internal Audit Standards in the UK Public Sector



Ongoing monitoring and quality assurance is built into the audit process. Quality checks and oversight are undertaken throughout the audit engagement ensuring that processes and practice are consistently applied.



#### Chief Audit Executive

- Undertake an annual self-assessment against the requirements of the Global Internal Audit Standards in the UK Public Sector
- Develop and maintain a Quality Assurance Improvement Programme and improvement action plan
- Focus on evaluating conformance with the Internal Audit Charter, definition of Internal Audit, Code of Ethics and Standards
- Arrange and External Assessment in accordance with Global Internal Audit Standards in the UK Public Sector requirements



#### Engagement Managers

- Undertake supervision and review audit engagements
- Obtain assurance from supervision and review processes that engagement planning, fieldwork conduct and reporting/ communicating results adheres to Global Internal Audit Standards in the UK Public Sector
- Provide CAE with regular reports on outcome of reviews, performance against key service measures etc.
- Provide feedback to auditors on quality of their work
- Promote high professional standards and compliance with Global Internal Audit Standards in the UK Public Sector
- Continually develop their team members



#### Auditors

- Conduct audit engagements in accordance with Global Internal Audit Standards in the UK Public Sector
- Deliver all assignments on time and within budget

#### All

- Comply with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Committed to delivering high quality services and continuous improvement
- Promote the internal audit service
- Committed to continuing professional development

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# Internal Audit Charter

## **Internal Audit Charter for Warwickshire County Council**

The Internal Audit function is provided by an internal team, which also provides internal audit services to other public sector bodies. Within this Charter the function is described as the Warwickshire County Council Internal Audit function and the Internal Audit Manager undertakes the role designated in the Global Internal Audit Standards in the UK Public Sector as Chief Audit Executive.

### **Purpose**

The purpose of the Internal Audit function is to strengthen Warwickshire County Council's ability to create, protect, and sustain value by providing the Audit and Standards Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit function enhances Warwickshire County Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Warwickshire County Council's Internal Audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the Audit and Standards Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

### ***Commitment to Adhering to the Global Internal Audit Standards***

The Warwickshire County Council's Internal Audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework through conformance with Global Internal Audit Standards in the UK Public Sector. The exception to this is the organisational positioning of the Chief Audit Executive, for which mitigations are in place as detailed elsewhere in this Charter. The Chief Audit Executive will report annually to the Audit and Standards Committee and senior management regarding the Internal Audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## **Mandate**

### ***Authority***

The Warwickshire County Council's Internal Audit function mandate is found in Accounts and Audit Regulations 2015, which state:

#### Internal Audit

5.(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

(2) Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

(a) make available such documents and records; and

(b) supply such information and explanations as are considered necessary by those conducting the internal audit.

(3) In this regulation "documents and records" includes information recorded in an electronic form.

The CIPFA statement on the Role of the Chief Financial Officer in Local Government states that:

Internal audit is an important independent internal scrutiny activity. Internal audits remit does not necessarily end within the organisation boundary but can extend to a partnership and alternative delivery model. The CFO must support the authority's internal audit arrangements and ensure that the audit committee receives the necessary advice and information, so that both functions can operate effectively.

The Internal Audit function's authority is created by its direct reporting relationship to the Audit and Standards Committee and Corporate Board. Such authority allows for unrestricted access to the Audit and Standards Committee.

The Council authorizes the Internal Audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Warwickshire County Council and other specialized services from within or outside Warwickshire County Council to complete Internal Audit services.

### ***Independence, Organizational Position, and Reporting Relationships***

The Internal Audit Manager, who performs the role of Chief Audit Executive is a 4<sup>th</sup> Tier Manager who reports to the Head of Investments, Audit and Risk. It is recognised that this arrangement does not meet the expectation of the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government, which expects that “the direct reporting line of the Chief Audit Executive is not lower than a member of the senior management team” and that they should be a “senior manager, providing them with the necessary profile to fulfil the function’s mandate”. In order to safeguard the independence and support the profile of the role a number of mitigating measures are in place. These include:

- Monthly meetings with the Finance Director;
- Quarterly meetings with the Executive Director for Resources;
- Meetings with Corporate Board; and
- Unfettered access to the members and Chair of the Audit and Standards Committee

These arrangements provide the organisational authority to bring matters directly to senior management and escalate matters to the Audit and Standards Committee, when necessary, without interference and supports the Internal Auditors’ ability to maintain objectivity.

The Chief Audit Executive will confirm to the Audit and Standards Committee, at least annually, the organisational independence of the Internal Audit function. If the governance structure does not support organizational independence, the Chief Audit Executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Audit Executive will disclose to the Audit and Standards Committee any interference Internal Auditors encounter related to the scope, performance, or communication of Internal Audit work and results. The disclosure will include communicating the implications of such interference on the Internal Audit function’s effectiveness and ability to fulfil its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the Chief Audit Executive, Audit and Standards Committee, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the Chief Audit Executive, Audit and Standards Committee, and/or senior management.
- Significant changes to the organization’s strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of Internal Audit services.

## **Audit and Standards Committee Oversight**

To establish, maintain, and ensure that Warwickshire County Council's Internal Audit function has sufficient authority to fulfil its duties, the Audit and Standards Committee will:

- Discuss with the Chief Audit Executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit function.
- Ensure the Chief Audit Executive has unrestricted access to and communicates and interacts directly with the Audit and Standards Committee, including in private meetings without senior management present.
- Discuss with the Chief Audit Executive and senior management other topics that should be included in the Internal Audit Charter.
- Participate in discussions with the Chief Audit Executive and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective Internal Audit function.
- Approve the Internal Audit function's Charter, which includes the Internal Audit mandate and the scope and types of Internal Audit services.
- Review the Internal Audit Charter annually with the Chief Audit Executive to consider changes affecting the organization, such as the employment of a new Chief Audit Executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the Internal Audit Charter annually.
- Approve the risk-based Internal Audit Plan.
- Receive communications from the Chief Audit Executive about the Internal Audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Chief Audit Executive to determine whether scope or resource limitations are inappropriate.

## **Chief Audit Executive Roles and Responsibilities**

### ***Ethics and Professionalism***

The Chief Audit Executive will ensure that Internal Auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.

- Encourage and promote an ethics-based culture in the organization.
- Report organizational behaviour that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

### ***Objectivity***

The Chief Audit Executive will ensure that the Internal Audit function remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Audit Executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Warwickshire County Council or its affiliates.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any Warwickshire County Council employee that is not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to Internal Audit teams or to assist Internal Auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually to the Chief Audit Executive.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Managing the Internal Audit Function***

The Chief Audit Executive has the responsibility to:

- At least annually, develop a risk-based Internal Audit Plan that considers the input of the Audit and Standards Committee and senior management. Discuss the plan with the Audit and Standards Committee and senior management and submit the plan to the Audit and Standards Committee for review and approval.

- Communicate the impact of resource limitations on the Internal Audit Plan to the Audit and Standards Committee and senior management.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in Warwickshire County Council's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit and Standards Committee and senior management if there are significant interim changes to the Internal Audit Plan.
- Ensure Internal Audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards in the UK Public Sector.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and periodically communicate the results of Internal Audit services to the Audit and Standards Committee and senior management.
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the Internal Audit mandate.
- Identify and consider trends and emerging issues that could impact Warwickshire County Council and communicate to the Audit and Standards Committee and senior management as appropriate.
- Consider emerging trends and successful practices in Internal Auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Ensure adherence to Warwickshire County Council's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Standards Committee and senior management.
- Maintain awareness of the work of other internal and external providers of assurance and advisory services and consider relying upon these where appropriate.

### ***Communication with the Audit and Standards Committee and Senior Management***

The Chief Audit Executive will report at least annually to the Audit and Standards Committee and senior management regarding:

- The Internal Audit function's mandate.
- The Internal Audit Plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the Internal Audit Plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.

- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Standards Committee that could interfere with the achievement of Warwickshire County Council's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond Warwickshire County Council's risk appetite.

### ***Quality Assurance and Improvement Program***

The Chief Audit Executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program will include external and internal assessments of the Internal Audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to Internal Auditing. Also, if applicable, the assessment will include plans to address the Internal Audit function's deficiencies and opportunities for improvement.

Annually, the Chief Audit Executive will communicate with the Audit and Standards Committee and senior management about the Internal Audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Warwickshire County Council; qualifications must include at least one assessor having the characteristics outlined for Chief Audit Executive qualification.

### **Scope and Types of Internal Audit Services**

The scope of Internal Audit services covers the entire breadth of the organization, including all of Warwickshire County Council's activities, assets, and personnel. The scope of Internal Audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit and Standards Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Warwickshire County Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Internal Audit function does not assume management responsibility. Opportunities



for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Warwickshire County Council's strategic objectives are appropriately identified and managed.
- The actions of Warwickshire County Council's officers, directors, management, employees, and contractors or other relevant parties comply with Warwickshire County Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Warwickshire County Council.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

**Approved by the Audit and Standards Committee at its meeting on**

\_\_\_\_\_

**Acknowledgments/Signatures**

\_\_\_\_\_  
Internal Audit Manager (Chief Audit Executive)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Audit and Standards Committee Chair

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Date

## Audit and Standards Committee Work Programme 2024/2025 to 2025/26

Item	Details	Lead Officer	Date of meeting
<b>External Auditors Update Report</b>	An update from the external auditors on progress to date to the work with WCC and WPF accounts.	Grant Thornton	Standing item to be used if necessary.
<b>CIPFA Financial Management Code – Warwickshire County Council Self-Assessment 2024/25</b>	Annual self-assessment of the Council's performance against the CIPFA Financial Management Code, including delivery of the improvement activity identified as part of the previous assessment.	Andrew Harper	20 March 2025
<b>2024/25 Statement of Accounts – Accounting Policies</b>	To endorse the accounting policies on which the 2024/25 WCC Statement of Accounts will be based, including new policies reflecting the introduction of IFRS16 and group accounts.	Andrew Harper	20 March 2025
<b>Amendments to the Contract Standing Orders</b>	A report recommending changes to the Contract Standing Orders to bring them into line with the requirements of the Procurement	Sioned Harper	20 March 2025

	Act 2023. Following consideration by the Audit and Standards Committee, proposals will be presented to Cabinet on 10 April and Council on 15 May 2025.		
<b>Internal Audit Plan 2024/25</b>	Internal Audit Plan and Strategy for 2025/26.	Paul Clarke	20 March 2025
<b>Internal Audit Update Report (exempt)</b>	A report on the outcome of Internal Audit work to date in 2024/25.	Paul Clarke	20 March 2025
<b>External Auditors Report – WCC Financial Year 2024/25 Audit Plan</b>	A report presenting the External Auditor’s plan for the review of WCC accounts 2024/25.	Andrew Harper / Grant Thornton	5 June 2025
<b>External Audit Plan for Warwickshire Pension Fund 2024/25 Accounts</b>	A report presenting the Audit Plan from Grant Thornton, external auditors for the Warwickshire Pension Fund, for the review of the 2024/25 accounts.	Chris Norton / Grant Thornton	5 June 2025
<b>External Auditors Audit Plan 2024/25</b>		Grant Thornton	5 June 2025
<b>Warwickshire County Council - External Audit Risk Assessment 2024/25</b>		Grant Thornton	5 June 2025
<b>Warwickshire Pension Fund - External Audit Risk Assessment 2024/25</b>		Grant Thornton	5 June 2025

<b>Draft Annual Governance Statement 2024/25</b>	A draft version of the Annual Governance Statement for consideration ahead of the completed version being presented to the Committee in November 2025.	Gereint Stoneman, Nic Vine	5 June 2025
<b>Audit and Standards Committee Annual Report 2024/25</b>	A report highlighting the work undertaken by the Committee in 2024/25.  Subject to being approved by the Committee, the Annual Report will be submitted to Council for consideration on 23 July 2025.	John Cole	5 June 2025
<b>Internal Audit Annual Report 2024/25</b>	To consider a report summarising the results of Internal Audit work carried out in the year ended 31 March 2025.	Paul Clarke	17 July 2025
<b>Internal Audit Update Report (exempt)</b>	A report on the outcome of Internal Audit work to date in 2024/25.	Paul Clarke	11 September 2025
<b>Internal Audit Update Report (exempt)</b>	A report on the outcome of Internal Audit work to date in 2024/25.	Paul Clarke	25 November 2025
<b>Annual Governance Report</b>	A report to highlight the arrangements that are in place to enable the Audit & Standards Committee to undertake its	Sioned Harper	25 November 2025

	assurance role as to the robustness of the governance arrangements that are in place.		
<b>Warwickshire County Council Audit Findings Report 2024/24</b>		Grant Thornton	25 November 2025
<b>Warwickshire Pension Fund Audit Findings Report 2024/25</b>		Grant Thornton	25 November 2025
<b>Warwickshire County Council Statement of Accounts 2024/25</b>		Grant Thornton	25 November 2025
<b>Warwickshire County Council Statement of Accounts 2024/25</b>		Grant Thornton	25 November 2025
<b>Warwickshire County Council Annual Audit Letter 2024/25</b>		Grant Thornton	25 November 2025
<b>Annual Governance Statement 2024/25</b>	This report presents the Annual Governance Statement for 2024/25 following the public consultation period and consideration by external audit.	Gereint Stoneman, Nic Vine	25 November 2025

## Training, Workshops, Other

Event	Details	Timing Considerations
Audit and Standards Committee Self-Assessment Workshop	For the Committee to carry out a self-review of its effectiveness.	A Self-Assessment will be undertaken by the Committee <b>every two years.</b>

## Briefing Notes

Topic	Summary	Date requested	Date circulated
Schools in financial difficulty	A historical summary of the schools in Warwickshire that required intervention by the Council including appointment of an executive board.	18 July 2024	

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# Audit and Standards Committee

Thursday 28 November 2024

## Minutes

### Attendance

#### Committee Members

John Bridgeman (Chair)  
Councillor Jo Barker  
Councillor John Cooke  
Councillor Sarah Feeney  
Councillor Bill Gifford  
Councillor Bhagwant Singh Pandher  
Councillor Ian Shenton  
Robert Zara

#### Officers

Paul Clarke, Internal Audit Manager  
John Cole, Senior Democratic Services Officer  
Sarah Duxbury, Director of Strategy, Planning and Governance  
Andrew Harper, Head of Strategic Finance  
Sioned Harper, Senior Solicitor and Team Manager - Governance  
Purnima Kandula, Director of Finance  
Gary Morris, Finance Manager - Financial Reporting  
Chris Norton, Head of Investments, Treasury and Audit  
Rob Powell, Executive Director for Resources  
Lou Richardson, Corporate Policy and Strategy Manager  
Gereint Stoneman, Head of Corporate Policy and Strategy

#### Others

Sandy Shergill  
Avtar Sohal, Grant Thornton

### 1. General

The Chair welcomed Mrs Sandy Shergill who had recently been appointed as an independent member of the Audit and Standards Committee. She would observe the meeting prior to formally joining the Committee at the meeting in March 2025.

#### (1) Apologies

There was none.

## **(2) Disclosures of Pecuniary and Non-Pecuniary Interests**

There was none.

## **(3) Minutes of the Previous Meeting**

It was resolved that the minutes of the meeting held on 19 September 2024 be confirmed as an accurate record and signed by the Chair.

## **2. Warwickshire County Council Audit Findings Report 2023/24**

The Committee received a report from the Council's External Auditor, Grant Thornton, which provided details of issues arising from the audit of the County Council's financial statements prior to issuing a final opinion.

Avtar Sohal (Grant Thornton) introduced the report, stating that the External Auditor had benefitted from a high standard of information from the Council. The audit had been substantially completed. There were some residual areas which required attention. However, it was expected that Grant Thornton would issue an unmodified opinion following the meeting of full Council in December 2024.

In response to the Chair, Avtar Sohal provided an update on the various outstanding matters for consideration. Progress was being made, and the process was following its prescribed course. There were no significant weaknesses or key recommendations which would require any modification of the audit opinion. There had been no substantial changes to Grant Thornton's approach since issuing the Audit Plan.

The Chair stated that the findings of the External Auditor were positive. It was promising that it was anticipated to issue an unqualified audit opinion.

Councillor Feeney highlighted commentary in Grant Thornton's Audit Findings report relating to compliance with password policies. She sought officers' views of whether specific action was required in response to the External Auditor's observations.

Andrew Harper (Head of Strategic Finance) advised that a separate report had been received from Grant Thornton outlining IT audit considerations. The External Auditor's findings were being acted upon by officers, and there were no concerns.

Avtar Sohal stated that Grant Thornton's findings relating to IT were not significantly material. These were low-level control recommendations intended to improve best practice. It had not been found that the Council's IT systems showed any significant weaknesses.

Robert Zara highlighted a small typographical error within the draft Letter of Representation. Section xiii (b) stated that "the financial reporting framework permits the *entry* to prepare its financial statements on the basis of the presumption set out under a) above". He suggested that this should read "the financial reporting framework permits the *entity* to prepare its financial statements on the basis of the presumption set out under a) above". A similar adjustment would be needed for the draft Letter of Representation for the Warwickshire Pension Fund.

Avtar Sohal confirmed that this was a typographical error which would be corrected on both draft letters of representation.

In response to Chair, members of the Committee agreed that the recommendations of the report be accepted.

**Resolved:**

That the Audit and Standards Committee:

1. Notes the Audit Findings Report of the External Auditors for Warwickshire County Council, attached at Appendix A of the report; and
2. Approves, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at Appendix B.

**3. Warwickshire County Council Statement of Accounts 2023/24**

Andrew Harper (Head of Strategic Finance) introduced the report. He advised that the Council's accounts had been published by the statutory deadline of 31 May 2024. Since then, progress had been made in partnership with the External Auditor leading to presentation to the Committee of the Council's Statement of Accounts for 2023/24. The Committee was asked to consider the Statement of Accounts for 2023/24 and to recommend them to the Council for approval on 17 December 2024. Members were also asked to note that, subject to finalisation of the Statement of Accounts by the External Auditor, the Executive Director for Resources would make any subsequent amendments to the information presented to full Council (if required) prior to approval being sought. However, it was not expected that any material changes would be made.

Andrew Harper advised that the External Auditor's report also included details of the Audit Opinion which would be signed by Grant Thornton's Engagement Partner on receipt of the Letter of Representation (once signed by the Chair of the Council and Executive Director for Resources), following approval of the accounts by Council on 17 December 2024.

The Chair praised the good progress that had been made by officers and Grant Thornton to meet statutory deadlines. He highlighted areas where Warwickshire County Council had received national recognition for its achievements including the award of LEXCEL 6.1, an internationally recognised legal practice quality mark, to the Council's Legal Services Team for the 24th consecutive year.

Councillor Feeney highlighted commentary in the report relating to the review of Schools Admissions processes which had led to a considerable improvement in handling of in-year school applications. This was a priority area for many residents and an issue that was frequently raised with councillors. Improvements to Schools Admissions processes had made a positive difference for residents and enhanced the Council's reputation. She praised the hard work and effort by officers to achieve this improvement.

Councillor Shenton stated that the Narrative Statement included within the Statement of Accounts was well laid out, easy to read, and presented an accessible overview of the Council's work. Infographics had been used to good effect.

The Chair highlighted the good progress that had been made to support children with special educational needs and disabilities (SEND). This was an area subject to considerable cost pressures, and it was encouraging that the Council had prioritised provision for SEND.

Councillor Gifford agreed that resourcing for SEND was a positive step. The allocation of funding to the development of new primary SEND resourced provisions would support a better standard of education for children with SEND and avoid additional costs associated with outsourcing to private providers.

Councillor Shenton highlighted the Balance Sheet which reported on the Council's financial position as at the end of the reporting period. He stated that, despite the financial challenges faced by the Authority in 2023/24, the Balance Sheet remained in a relatively strong position. He praised officers' skill and dedication to reach this outcome.

Rob Powell (Executive Director for Resources) highlighted that the Balance Sheet for 2023/24 reflected the position of the SEND deficit being fully covered. More recently, reforms by government to accountancy methods for SEND spending required councils to rely upon the statutory override. This created a negative reserve and would have a detrimental effect on future balance sheets. He emphasised the seriousness of this risk which was being experienced by local authorities nationally.

In response to Chair, members of the Committee agreed that the recommendations of the report be accepted.

**Resolved:**

That the Audit and Standards Committee:

1. Notes the 2023/24 Statement of Accounts and recommends them to Council for approval; and
2. Notes that the Executive Director for Resources will make any subsequent amendments required to the Statement of Accounts, prior to their approval by Council.

**4. Warwickshire Pension Fund Audit Findings Report 2023/24**

The Committee received a report from the Council's External Auditor, Grant Thornton, which provided details of issues arising from the audit of Warwickshire Pension Fund's financial statements prior to issuing a final opinion.

Avtar Sohal (Grant Thornton) introduced the report, stating that the auditing process had been well supported by the Council's Pensions Team. The report outlined recommendations made at the previous year's audit which had been acted upon by the Council. The audit of the Pension Fund was substantially complete and there were no matters which would require any modification of the audit opinion.

Councillor Gifford highlighted use of the term 'trivial' in an auditing context. He emphasised that this was a technical term; it was important to reassure Warwickshire residents that public money was not treated casually.

In response to Councillor Gifford, Avtar Sohal advised that the External Auditor had not identified any concerns about the migration of pensions data to Agresso Cloud. The commentary in the report related to concerns about supporting evidence around the migration process to provide a trail of actions taken. There were no concerns about data security. The essence of the recommendation was that such processes be more comprehensively documented in future. It was not considered to be a significant weakness or material deficiency.

The Chair highlighted the importance of cyber security and recent high profile cyberattacks targeted at big organisations nationally. Constant vigilance was required.

Avtar Sohal advised that cyber security formed a key element of the auditing process. It was recognised that new threats were constantly emerging with a need to remain vigilant. The audit had not identified any significant concerns about the Council's IT systems, and cyber security would continue to be closely monitored. He would update the Committee if any cyber security concerns came to the External Auditor's attention.

Rob Powell (Executive Director for Resources) stated that the threat of cyberattack was among the highest rated risks faced by the Council. Details were reported to the Committee as well as across other channels within the organisation. He emphasised that there was no complacency and cyberattacks were routinely repelled. The findings of the Audit related to the process of documenting procedural work that had been undertaken; there were no concerns about the robustness of the cyber security measures in place.

Subject to Section xiii (b) of the Letter of Representation being amended to substitute the word "entity" for "entry", the Chair sought the Committee's agreement that the recommendations of the report be accepted. This was agreed.

#### **Resolved:**

That the Audit and Standards Committee:

1. Endorses the Audit Findings Report prepared by the External Auditor for the Warwickshire Pension Fund as attached at Appendix 1; and
2. Approves, subject to any changes which may be necessary to the final draft, the wording of the Letter of Representation, attached at Appendix 2.

#### **5. Warwickshire Pension Fund Statement of Accounts 2023/24**

Chris Norton (Head of Investments, Treasury and Audit) introduced the report, stating that the draft accounts for the Pension Fund had been published for public consultation and audited by Grant Thornton. The accounts presented to the Committee had been updated with issues arising from the consultation and audit. The Committee was asked to consider the Statement of Accounts for 2023/24 and to recommend them to full Council for approval on 17 December 2024. He highlighted the amendments made to the public draft accounts outlined within the report. These did not influence the net asset statement and were not material. He praised the Pension Team and colleagues across the organisation for their work to produce the accounts and progress the audit.

Councillor Gifford highlighted that, as at 31 March 2024, the Pension Fund had net assets of £2.969bn. This was a funding level of approximately 140%, constituting a strong position. He

highlighted the analysis of costs of managing the Warwickshire Pension Fund outlined within the report. Investment management expenses for areas such as private equity, infrastructure, and private debt were noticeably higher than the costs for less specialist areas and pooled investments. This was pertinent to the Government's plans to potentially expand pooling arrangements for local government pension funds which could lead to reduced management costs.

Chris Norton advised that investment management costs depended upon the level of complexity of tracking performance in particular areas. For example, listed equities were relatively straightforward to manage but private markets and actively managed assets required closer attention by fund managers, incurring a higher cost. Pooling achieved economies of scale; however, there had been increased investment in private markets which had a counter-effect on management costs. There was a broad push and pull between these two factors which determined the overall cost of investment management.

In response to the Chair, Chris Norton outlined the role of the Pension Fund Investment Sub-Committee to determine investment decision making. Investment management costs were considered alongside other factors. The objective was to achieve a net risk adjusted return comprising a basket of different assets to provide the right risk profile.

In response to Chair, members of the Committee agreed that the recommendation of the report be accepted.

**Resolved:**

That the Audit and Standards Committee recommends the 2023/24 Pension Fund Statement of Accounts to Council for approval.

**6. Warwickshire County Council Annual Audit Letter 2023/24**

Andrew Harper (Head of Strategic Finance) introduced the report, stating that the Annual Audit Letter provided an opinion by the External Auditor of financial sustainability, governance, as well as measures in place to secure economy, efficiency, and effectiveness. Grant Thornton had not identified any significant weaknesses across these criteria. The report outlined three minor improvement recommendations which were being addressed.

Avtar Sohal (Grant Thornton) advised that the Annual Audit Report compared well to annual reports for many other local authorities. Most councils had been found to have at least one significant weakness by external auditors. Most commonly, these related to financial sustainability. It was recognised that financial circumstances were likely to become more challenging for Warwickshire County Council; however, the Council was in a better financial position than many other local authorities. The inclusion of a small number of improvement recommendations was a very good result.

The Chair stated that the results of the Annual Audit were very encouraging.

**Resolved:**

That the Audit and Standards Committee notes the External Auditor's Annual Audit Report.

## 7. Annual Governance Report

Sioned Harper (Senior Solicitor and Team Manager, Governance) introduced the report which outlined arrangements in place to maintain a strong culture and robust systems of governance across the organisation at both member and officer levels. She advised that there was no legal requirement to present this report to the Committee; however, it was considered good practice to support the Committee's role to maintain oversight of governance and standards. She highlighted specific elements of the report including details of systematic approaches to legal and regulatory compliance, approaches to consideration of external inspections, data breaches, subject access requests, policy updates, training and organisational culture, and complaints made under the Members' Code of Conduct.

Robert Zara praised the quality of the report. He emphasised the importance of the Committee's role to maintain oversight of organisational culture and information governance, both of which had been covered in detail. He highlighted that County Council elections would be held in May 2025 and enquired about arrangements for the induction and training of newly elected councillors, including any mandatory training.

Sarah Duxbury (Director of Strategy, Planning and Governance) advised that there was an Induction Programme for new councillors which was being refreshed in readiness for the elections in May 2025. Some elements of the Induction Programme were mandatory, including sessions tailored for specific committees. For example, members sitting on the Regulatory Committee were given training to provide knowledge of planning considerations. The Induction Programme also included a focus on the Members' Code of Conduct which was relevant to all councillors.

In response to Councillor Barker, Sarah Duxbury advised that the Council had received an increased number of subject access requests in recent years. As a result, it had been decided to allocate additional resources to the Information Governance (IG) Team leading to the recruitment of five additional IG officers. This had improved the Council's performance in responding to subject access requests which could often be time consuming to resolve. Other approaches such as process re-engineering and IT refinements would support the Council's work in this area. Additionally, work had been undertaken with Children's Services focusing on individuals' life stories to spotlight alternatives to making subject access requests in specific circumstances.

### **Resolved:**

That the Audit and Standards Committee notes the content of the report.

## 8. Annual Governance Statement 2023/24

Chris Norton (Head of Investments, Treasury and Audit) introduced the report. He advised that the draft Annual Governance Statement had been published for a period of public consultation. It had also been considered by the External Auditor. No comments from members of the public had been received and the External Auditor had not proposed any amendments. Since being presented to the Committee in May 2024, the Annual Governance Statement had been updated with details of the final audit opinion which provided moderate assurance on the Authority's control environment, as well as commentary on timescales for the introduction of new procurement regulations.

Chris Norton advised that a Governance Improvement Action Plan was appended to the Annual Governance Statement. He provided an update on actions which had been given recent attention including the review of education capital programme procurement as well as ongoing work to determine ethical standards for the adoption of artificial intelligence in the delivery of Council services.

In response to Chair, members of the Committee agreed that the recommendation of the report be accepted.

**Resolved:**

That the Audit and Standards Committee endorses the Annual Governance Statement for 2023/24 and recommends its approval by full Council at the meeting in December 2024 and its subsequent inclusion in the Council's 2023/24 Annual Report and Accounts.

**9. Strategic Risk Management**

Gereint Stoneman (Head of Corporate Policy and Strategy) introduced the report. He advised that the Strategic Risk Management Framework had been refreshed ahead of the beginning of the 2024/25 financial year and approved by Cabinet in January 2024. He reported that the responsibility for risk management had been transferred from Finance to the Corporate Policy Unit. Some modifications had been made to approaches to risk management to strengthen alignment between strategic foresight, risk management, and strategy development as outlined within the report. He highlighted the arrangements in place for reporting to overview and scrutiny committees and directorate leadership teams also detailed in the report.

In response to the Chair, Gereint Stoneman advised that strategic risk updates formed part of the integrated performance reports presented to Cabinet and overview and scrutiny committees each quarter.

In response to Chair, members of the Committee agreed that the recommendation of the report be accepted.

**Resolved:**

That the Audit and Standards Committee notes the approach to risk management as set out in the refreshed Strategic Risk Management Framework at Appendix 1, and strategic and service risks set out in Appendix 2.

**10. Work Programme and Future Meeting Dates**

The Committee noted the Work Programme, including the proposed Self-Assessment Workshop scheduled to be held directly after the meeting on 20 March 2025.

**11. Any Other Business**

This was the final meeting chaired by John Bridgeman prior to stepping down from the role of Chair of the Audit and Standards Committee. Members expressed their thanks and praised John



Bridgeman's contribution to the work of Warwickshire County Council which spanned a period of 24 years.

On behalf of officers, Rob Powell (Executive Director for Resources) offered his thanks to John Bridgeman and praised the skill and dedication he had shown as Chair of the Committee.

## **12. Reports Containing Exempt or Confidential Information**

### **Resolved:**

That members of the public be excluded from the meeting for the items mentioned below on the grounds that their presence would involve the disclosure of exempt information as defined in paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972.

## **13. Internal Audit Update Report**

The Committee received a confidential update.

## **14. Exempt Minutes of the Previous Meeting**

It was resolved that the exempt minutes of the meeting held on 19 September 2024 be confirmed as an accurate record and signed by the Chair.

The meeting rose at 12:02.

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Chair

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of the Local Government Act 1972.

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